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# EXPLORING THE FACTORS INFLUENCING AUDITOR INDEPENDENCE: EVIDENCE FROM THE MALAYSIAN CONTEXT

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**Abstract:**

Auditor independence is a key component in ensuring audit quality, financial reporting credibility, and investor confidence. However, increasing concerns over audit failures, corporate scandals, and the growing commercialisation of the auditing profession have intensified debates regarding auditors' ability to maintain objectivity and professional skepticism. In Malaysia, corporate scandals such as Serba Dinamik Holding Berhad have created awareness regarding the effectiveness of auditor independence despite ongoing regulatory enforcement and governance initiatives. The objective of this conceptual paper is to explore the key determinants or factors influencing auditor independence within the Malaysian context. This study found that long-term audit tenure, high audit fees from non-audit services, the effectiveness of the audit committee, and ethical culture within audit firms are among the factors that may affect auditor independence. The methodology used is a conceptual review approach by critically performing content analysis of previous literature from globally and Malaysian perspective. Besides, this study integrates multiple theoretical perspectives, such as agency, institutional, and economic bonding theory, to provide a comprehensive understanding of the factors that affect an auditor's independence. Previous literature remains inconclusive, especially regarding the effect of audit tenure and non-audit services on auditor independence. Many of the existing studies also focus on developed economies, with limited attention to developing markets such as Malaysia, where concentrated ownership structures, political influence, and evolving governance environments may shape auditor behaviour differently. This paper also suggests a conceptual framework by explaining how economic pressures, governance mechanisms, institutional environments, and ethical considerations may influence auditor independence in Malaysia. The study contributes significant facts for regulators, audit firms, and policymakers in maintaining audit quality, strengthening corporate governance, and enhancing financial reporting integrity. Therefore, the public trust toward the accounting profession can be enhanced by maintaining auditor independence during the performance of services.

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**Keywords:**

Auditor Independence, Audit Quality, Corporate Governance, Economic Bonding, Institutional Theory, Professional Skepticism, Malaysia, Financial Reporting Integrity.



## Introduction

One of the most fundamental professional principles among auditors in ensuring the credibility, transparency, and reliability of the financial reporting is auditor is able to maintain independence during their audit engagement. An auditor needs to carry out their duties with objectivity, integrity, independence, confidentiality, professional behavior, professional competence, and due care because they are responsible for providing independent, reasonable assurance over the financial statements prepared by company management. However, when auditor independence is compromised, the reliability of financial statements becomes questionable among investors and can threaten market stability (Holm and Thinggaard, 2018; Munter, 2021).

Professional independence will ensure that auditors' opinions and conclusions are only made based on objective evidence, not based on personal interest and external pressure. But shows are increasing in the cases of ethical issues among the auditors' independence in Malaysia and globally. Over the past decade in Malaysia, auditors' independence has been enforced through enforcement and disciplinary actions. The penalties for such actions have led to fines of more than RM500,000 as well as sanctions such as reprimands, suspensions, and revocation of audit registration for misconduct related to audit tenure, partner rotation, and ethical non-compliance (Securities Commission Malaysia, 2019 and 2024). In contrast, global enforcement actions have been more frequent and severe. Regulators such as the U.S. Securities and Exchange Commission (SEC), Public Company Accounting Oversight Board (PCAOB), and the UK Financial Reporting Council (FRC) have imposed numerous sanctions and cumulative fines that exceed tens of millions of US dollars. Major audit firms such as PwC and KPMG have been fined from US$2.75 million to more than US$8 million for breaches of auditor independence and related audit quality failures (PCAOB, 2024; U.S. Securities and Exchange Commission, 2019).

The cases on auditors' independence in Malaysia include Grant Thornton Malaysia PLT(GTM), Chengco PLT (CCO), Al Jafree Salihin Kuzaimi PLT Partner, and some other cases show how serious the problems with auditors' independence are in Malaysia. Moreover, the case involving the external auditor for Serba Dinamik Bhd raises awareness regarding the effectiveness of corporate governance and audit oversight mechanisms in Malaysia. These cases also highlight whether existing regulatory frameworks and professional ethical standards can be used as a mechanism to safeguard auditors' independence in an increasingly complex corporate environment. Structural and relationship pressures continue to threaten auditor independence in Malaysia, despite strong regulatory updates through the Malaysian Code of Corporate Governance (MCCG), the Audit Oversight Board (AOB), and the Malaysian Institute of Accountants (MIA).

The existing literature is focused on developed economies. Accordingly, the objective of this conceptual paper is to explore the key factors influencing auditor independence within the Malaysian context by critically reviewing and synthesising prior literature from both developed and developing economies. Therefore, this study examines how audit tenure, non-audit services, audit fees, audit firm characteristics, audit committee effectiveness, regulatory oversight, and institutional pressures may affect auditor independence. The study contributes to developing a comprehensive conceptual framework that explains the interrelationship between these determinants and their implications for financial reporting integrity in Malaysia.

This paper contributes to the existing literature in multiple ways. First, this paper provides a comprehensive conceptual framework of the determinants influencing the auditors' independence by integrating multiple theoretical perspectives. Then, the study extends the literature on auditors' independence by focusing on the importance of institutional and governance characteristics specific to developing markets like Malaysia. Besides, the paper offers practical insights for regulators, policymakers, audit firms, and corporate governance practitioners on potential reforms to strengthen auditor independence and enhance the credibility of financial reporting. The remainder of the paper is organised as follows. Section 2 has synthesized the literature review, Section 3 outlines the methodology and proposed conceptual framework, Section 4 discusses findings, and Section 5 provides a conclusion and direction for future research.

## Literature Review

### *Auditor Independence: Concept and Importance*

Members of audit teams, audit firms, and network firms must be independent of audit clients in every audit engagement since it serves the public interest. Independence comprises independence of mind and independence in appearance. Independence in mind will ensure that the auditor's opinions and conclusions are only made based on objective evidence, not based on personal interest and external pressure. For independence in appearance, its look after public confidence by ensuring the stakeholders consider the auditor is trustworthy and neutral. (MIA By Laws, 2025; IFAC Code of Ethics for Professional Accountants, 2011). According to DeAngelo (1981), auditor independence reflects the probability that auditors will both detect material misstatements and report them truthfully without being influenced by client pressure. According to MIA By-Laws (2025), auditors' independence comprises:

i) Independence of mind or independence in fact – the state of mind that permits the expression of a conclusion without being affected by influences that compromise professional judgment. Independence, in fact, requires the maintenance of an objective, unbiased state of mind during the audit execution (Ali et al., 2025; Quick and Schmidt, 2021),

ii) Independence in appearance – the avoidance of facts and circumstances that are so significant that a reasonable and informed third party would be likely to conclude that a firm's, or an audit or assurance team member's, integrity, objectivity, or professional skepticism has been compromised. Independence in appearance demands that external stakeholders perceive auditors as entirely free from conflicts of interest. (Ali et al., 2025; Quick and Schmidt, 2021),

Both are important since the value of audits also depends on the confidence of stakeholders put in the auditor's ability to provide fair and unbiased opinions, not only on the auditor's competence and due care. The primary role of external auditors is to provide independent assurance that financial statements fairly represent the financial position and performance of corporations. This assurance function is critical in reducing information asymmetry between corporate management and stakeholders, particularly shareholders, creditors, regulators, and investors.

The importance of auditor independence has become increasingly important due to the following numerous global corporate scandals involving audit failures and financial misstatements. The recent cases, such as Evergrande, allegedly overstated revenue by hundreds of billions of yuan between 2019 and 2020 and the liquidators claim one of the largest accounting firms, PwC China, failed to exercise professional skepticism and was negligent in failing to detect any manipulation in financial statements. While in Malaysia context, Serba Dinamik is one of the recent cases involving false statements and falsified accounting records. The company was delisted from Bursa in June 2024 after it failed to improve its financial conditions. These scandals showed that compromised auditor independence can impact the investors' trust and confidence, tarnish the reputation of the corporation, and weaken the stability of the capital market. Therefore, these scandals show that regulators and professional bodies around the world have strengthened auditing standards and governance mechanisms to safeguard auditor independence, improve audit quality, and enhance the reliability of financial reporting. But the question remains whether regulatory requirements and enforcement were sufficiently implemented to mitigate the economic and institutional pressures faced by auditors in delivering their services.

Existing literature consistently suggests a close relationship between auditor independence and audit quality. According to Tepalagul and Lin (2015), they argued that auditor independence remains important to the credibility of financial reporting because compromised independence reduces auditors' willingness to challenge management assertions or report irregularities. In addition, the studies by Rahmadani et al. (2024) and Sirait et al. (2026) have shown that auditors' professional skepticism is significantly reduced when they face high self-interest or economic-bonding threats. Thus, this situation has created an environment among auditors in which they are more likely to passively accept aggressive client accounting estimates rather than thoroughly verify management's claims (Smith and Jones, 2025). In developing economies like Malaysia, this perception of independence is under scrutiny by market constituents, especially when economic bonding through non-audit services threatens the credibility of the financial report (Santhanam and Sori, 2022; Md. Sah et al., 2026). Thus, the current complex auditing environment suggests that safeguarding independence is not merely a regulatory requirement but a clear psychological condition for identifying and reporting financial material misstatements truthfully (Johnson et al., 2024). Furthermore, auditor independence has become increasingly important in safeguarding financial reporting integrity and restoring public trust in the global and Malaysian corporate environment.

### *Theoretical Foundations of Auditor Independence*

#### *Agency Theory*

Agency theory is the most widely used theoretical framework for explaining the factors affecting auditor independence. This theory, developed by Jensen and Meckling (1976), explains the conflict of interest arising from the delegation of responsibility from the owners to the management team in managing business corporations. The manager is known as the agent and may have interests that are not aligned with shareholders' aims will lead to information asymmetry and agency costs. Thus, in relation to that situation, an independent person or external auditors have been appointed to reduce the conflict of interest between shareholders and management teams by examining the truthfulness of the financial statements prepared by management. Here, the external auditor acts as a monitoring tool to increase the credibility of the financial reporting. Watts and Zimmerman (1983) suggest that independent auditing reduces agency conflicts by increasing the reliability of accounting information used by investors and stakeholders. However, the theory also recognises the fact that the auditors themselves may have conflicts of interest, especially when they become economically dependent on clients for audit fees, long-term engagements, and non-audit services. Such economic dependence can reduce auditors' incentives to challenge management aggressively and can compromise independence. In the Malaysian context, Agency Theory is very applicable because of the common characteristics of concentrated ownership structure, family-controlled corporations, and government-linked companies (GLCs). In contrast to the dispersed ownership arrangements found in developed economies, Malaysian companies often have dominant shareholders with a significant influence over management decisions and actions. Concentrated or family ownership can generate agency conflicts between controlling and minority shareholders that may impact auditor–client relationships and increase pressure on auditors to satisfy the demands of powerful corporate interests.

#### *Institutional Theory*

In developing economies such as Malaysia, Institutional Theory provides another important perspective on the issue of auditor independence in the audit environment. The theory initially created by Meyer and Rowan (1977) and further extended by DiMaggio and Powell (1983) indicates that organisational behaviour is affected by economic incentives as well as institutional pressures from regulation enforcement, professional norms, social expectations, and cultural environment. DiMaggio and Powell (1983) also determined that there are three forms of institutional pressure, known as coercive, normative, and mimetic pressures, which are expected to influence organizational legitimacy and behaviour. For an auditing context, institutional pressures may arise from regulatory bodies, professional accounting standards, corporate governance codes, and societal expectations regarding audit quality and ethical conduct. In other words, the theory provides an important perspective on auditor independence by suggesting that auditors comply with regulatory requirements, professional standards, norms, and societal expectations to maintain legitimacy and stakeholders' trust. In Malaysia, the regulatory requirement is such that the Malaysian Code of Corporate Governance (MCCG), all requirements issued by the Audit Oversight Board (AOB) of Bursa Malaysia, and the professional code of ethics issued by the Malaysian Institute of Accountants (MIA) represent coercive mechanisms designed to strengthen auditor independence and improve public confidence in financial reporting.

In addition, in emerging economies such as Malaysia, institutional pressures imposed by regulators, professional bodies, and governance frameworks significantly influence auditor behavior, audit quality, and the effectiveness of fraud detection (Sulaiman et al., 2022). Strong institutional environments are therefore essential in promoting auditor independence and safeguarding the integrity of financial reporting. However, Institutional theory also suggests that corporations (refer to the auditors' firm) may sometimes follow rules and regulations only for appearance purposes rather than genuinely practicing them in daily business operations. This situation is known as "decoupling," as explained by Meyer and Rowan (1977) and Oliver (1991). In other words, the auditors' company may formally adopt good quality management practice, corporate governance policies, and auditing procedures to gain confidence and public trust, while their actual practices and behaviours remain unchanged internally. This issue is more common in emerging economies, where regulatory enforcement may be less effective, and business relationships strongly influence auditors' professional decisions (Al-Duais et al., 2024). In the research studies by Ali et al. (2025) and Qasem (2025), it was found that the institutional environments have a major influence on the auditor behaviour, especially in countries with dominant political influence, concentrated ownership structures, and relationship-based business networks. Thus, the formal audit systems may exist, but true auditor independence and objectivity can still be weakened in practice due to institutional pressures, as explained in this theory.

### *Economic Bonding Theory*

Economic Bonding Theory, initiated in DeAngelo's (1981) audit quality framework, explains that auditors may become economically dependent on clients due to recurring audit revenues and long audit tenure relationships, thereby impairing auditor independence and professional skepticism in detecting fraudulent financial reporting. This theory suggests that the relationship between the auditor and clients would create several threats to the auditor's independence when an auditor becomes financially dependent on a client due to high audit fees or non-audit services. In other words, an economic bond is formed when auditors fear losing the future economic benefits derived from retaining audit clients over time or due to high audit fees paid for auditors' services.

This threat of economic bonding is often increased in highly concentrated, relationship-driven emerging economies such as Malaysia. If the audit fee dependency is high, the auditors prefer client retention over a high level of professional skepticism, changing the behavioral attitude from an objective watchdog to a compliant corporate partner (Santhanam and Sori, 2022; Sirait et al., 2026).

Moreover, DeAngelo (1981) argued that the auditors face incentives to maintain client relationships because losing a client means losing future revenues. The larger the client's contribution to the audit firm's income, the greater the potential threat to auditor independence. Thus, economic dependence may weaken the auditor's willingness to challenge management aggressively and maintain their professional scepticism throughout the audit fieldwork.

***Determinants Of Auditor Independence***

***Audit Tenure and Auditor Independence***

Audit tenure remains one of the most debated factors affecting auditor independence within auditing literature. Audit tenure is the length of the relationship between auditors and their clients. Previous literature has mixed and conflicting results on the effect of audit tenure on auditor independence or whether long auditor-client relationships promote or impair auditor independence in Malaysia.

The prolonged auditor and client relationships may impair auditor independence because of the development of personal bonds, excessive familiarity, and economic dependence on the client, potentially reducing auditors' professional scepticism and objectivity when evaluating financial reporting practices (Tepalagul and Lin, 2015; Kamal, 2023). The auditors' professional skepticism and willingness to challenge management aggressively may be reduced due to long audit tenure. The auditors are concern to their close personal relationship and client retention rather than maintaining their independence during the performance of audit services. This is agreed by Brooks et al. (2022) and Cheynel and Zhou (2024), who found and suggested that extended tenure may reduce audit quality by increasing the risk of compromised auditor objectivity and skepticism.

However, some of the previous studies have argued that prolonged engagements improve auditors' understanding of clients' operations, internal controls, and industry-specific risks, thereby enhancing audit quality. For example, Lokman and Mohd Bakri (2020) found that audit tenure positively influenced perceived auditor independence among Malaysian listed companies, suggesting that longer tenure may improve audit familiarity and audit effectiveness rather than impair objectivity. In addition, Jati (2020) and Ismail et al. (2025) argued that longer audit tenure enhances auditor independence by allowing auditors to acquire deeper client-specific knowledge, improve their understanding of the client's business environment, and strengthen their ability to detect material misstatements and irregularities during the audit of financial statements. This accumulated expertise may lead to more effective audit judgments and improved audit quality. For Malaysia, as a developing country, the previous researchers have shown mixed results about the relationship between long audit tenure and auditors' independence because of the unique characteristics and regulatory requirements in Malaysia, such as the fact that most Malaysian public companies are family-owned companies. Therefore, these unique corporate governance practices and auditor relationships might differ from those practiced by developed countries.

***Non-Audit Services (NAS) and Economic Dependence***

The provision of non-audit services (NAS) has been considered a significant threat to auditor independence. Examples of non-audit services provided by audit firms to audit clients include consulting, taxation, advisory, and other professional services. From an economic bonding theory perspective, auditors who receive substantial fees from non-audit services may become financially dependent on their clients, creating incentives to preserve the client relationship rather than maintain professional skepticism. Such a situation may reduce auditors' willingness to issue unfavorable audit opinions, challenge aggressive accounting practices, or report material misstatements that could jeopardize future fee income (Habib et al., 2022). Empirical evidence from Malaysia further indicates that extensive non-audit service engagements are associated with lower accrual quality, suggesting a potential impairment of auditor objectivity and audit quality (Abdul Wahab et al., 2020). More recently, Soofi and Shah (2025) argued that excessive reliance on non-audit service fees may undermine auditor independence by creating self-interest threats that compromise the credibility of financial reporting. Similarly, Frankel et al. (2002) argued that non-audit services may increase earnings management due to weakened auditor independence arising from economic bonding. In line with studies by Tepalagul and Lin (2015), Lee and Phua (2022) found that non-audit services are one of the most significant threats to auditor independence because they create self-review threats and increase client dependence. Their findings suggest that excessive reliance on client fees may pressure auditors to prioritise commercial interests over professional objectivity and judgment. Regarding that, Malaysian scholars highlight the issue of commercialization among auditing firms, particularly within highly competitive audit markets where client retention becomes economically important. Therefore, non-audit fees remain an important factor in explaining variations in auditor independence and continue to attract significant attention from regulators, practitioners, and academic researchers.

### *The Effectiveness of Audit Committee (AC) and Auditor Independence*

According to Tepalagul and Lin (2015), the audit committee is a corporate governance mechanism that plays an important role in strengthening auditor independence. Among the main responsibilities of an audit committee are overseeing financial reporting processes, monitoring internal controls, and facilitating communication between auditors and management (Munter, 2021; Kusnadi et al., 2015). The effective roles of the audit committee may reduce management influence over auditors and can enhance the auditors' ability to perform their duties independently and maintain their professional judgment and scepticism (Eyenubo et al., 2017).

Previous literature, such as Alqatamin (2018), Kusnadi et al. (2015), and Tai et al. (2020). suggest that audit committee independence, financial expertise, and meeting frequency are positively associated with higher audit quality and assist the auditor in maintaining their independence during audit engagement. Similarly, Malaysian scholars also indicate that active audit committee activities may strengthen auditor independence by reducing economic bonding pressures stemming from long-term tenures or non-audit service fees, thereby preserving the overall credibility of the audit quality (Bamahros and Wan-Hussin, 2015; Tai et al., 2020).

However, in emerging economies such as Malaysia, audit committees may face challenges arising from concentrated ownership, family dominance, and political influence, potentially limiting their effectiveness in protecting auditor independence. Aswadi Abdul Wahab and Holland (2020), Belghitar et al. (2019), and Wan Mohammad and Wasiuzzaman (2020) have argued that audit committee effectiveness may be limited in environments where governance practices are largely symbolic or where board independence is weak. They argued that all of which can collectively capture the governance process and restrict the audit committee's capacity to protect external auditors from client pressure.

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***Ethical Culture and Professional Skepticism***

Ethical culture and professional skepticism have increasingly emerged as important determinants of auditor independence. Professional accountants in public practice are required to exercise professional skepticism when planning and performing audits, reviews, and other assurance engagements (MIA By-Laws, 2025). Professional skepticism refers to the auditor's critical assessment mindset when evaluating audit evidence and management assertions (Ocansey, 2026; Verwey and Asare, 2022). Meanwhile, this individual cognitive mindset is heavily conditioned by the audit firm's broader ethical culture, which comprises organizational values, ethical leadership, and professional integrity. Consequently, the International Auditing and Assurance Standards Board (IAASB) issued the International Standard on Quality Management (ISQM) for audit firms and auditors in practice. The standards required that all audit firms are responsible for designing, implementing, and operating a system of quality management, for audits or reviews of financial statements or other assurance and other related services engagements (ISQM 1 and 2, 2022). This is in line with the findings from Samagaio et al., (2025), and Sumarlin et al. (2024). They support that the organizational and ethical culture within the public accounting firms is important for elevating individual performance and safeguarding professional skepticism.

However, recent literature argues that auditor independence cannot be fully safeguarded through regulations alone because ethical judgment and moral reasoning significantly influence auditor behaviour (Johnson et al., 2024; Xu et al., 2023). Moreover, Tahir and Abdul Hamid (2018) found that intimidation threats severely and negatively affected auditors' ethical judgments in Malaysia. They suggest that auditors may become less independent when exposed to situations that give rise to threats to auditors' professional judgments or to client pressure. Their findings emphasize the importance of an ethical context and professionalism in maintaining auditor objectivity. Furthermore, increasing financial threats within the auditing profession may erode professional skepticism as audit firms prioritise profitability, client retention, and market competition (Johnson et al., 2024; Samagaio et al., 2025). This issue is particularly arising in developing countries where audit firms may face increased economic pressures and weaker institutional enforcement mechanisms. According to that, the more economic pressures will lead to weaker institutional enforcement mechanisms. Consequently, strengthening ethical culture within audit firms has become increasingly important in safeguarding auditor independence and rebuilding public trust in the auditing profession.

**Methodology**

This study adopts a conceptual research design that uses the previous research literature and theoretical synthesis to develop a conceptual framework. The academic literature was accessed from established databases such as ScienceDirect, Scopus, Emerald Insight, and Google Scholar. Besides, we also analyzed the main policy reports from Malaysia's regulatory bodies, such as the Securities Commission (SC) of Malaysia, the Audit Oversight Board (AOB), and the Malaysian Institute of Accountants (MIA), to identify the determinants of auditors' independence. The analysis process for this study involves a systematic thematic synthesis according to guidelines established by Thomas and Harden (2008). The following shows details step by step to summarize the themes that are expected to influence the auditor's independence:

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**Step 1:** The process started with deep data immersion and line-by-line coding of the extracted text segments that mentioned the factors influencing auditor independence.

**Step 2:** For the next steps, these initial codes were compared for similarities and differences to reduce conceptual redundancy as suggested by Cruzes and Dyba (2011). Then, the factors identified from analyzing text segments were classified into three main categories: economic factors, governance and institutional factors, and ethical or behavioural factors.

**Step 3**: Next, the above themes were mapped against the underlying theoretical perspectives used in this study: Agency theory, institutional theory, and Economic bonding theory.

Finally, these themes are combined to develop a comprehensive conceptual model that explains the factors affecting auditors' independence during audit engagement in Malaysia's corporate environment.

**Proposed Conceptual Framework**

The conceptual framework of the study is presented in Figure 1, which includes economic, governance, institutional, and ethical factors that affect auditors' independence. The independent variables are grouped into three themes. There are economic factors, including higher audit fees for engagement and non-audit services. Then, the factors regarding audit tenure, audit rotation, and the effectiveness of the audit committee are grouped under governance and institutional factors. While the last theme is behavioural and ethical factors are expected to be influenced by the attitude of professional auditors in compliance with ethical culture and maintaining their professional skepticism throughout the audit engagement. In addition, the proposed framework integrates Agency, Institutional, and Economic Bonding theories to explain the factors affecting auditor independence.

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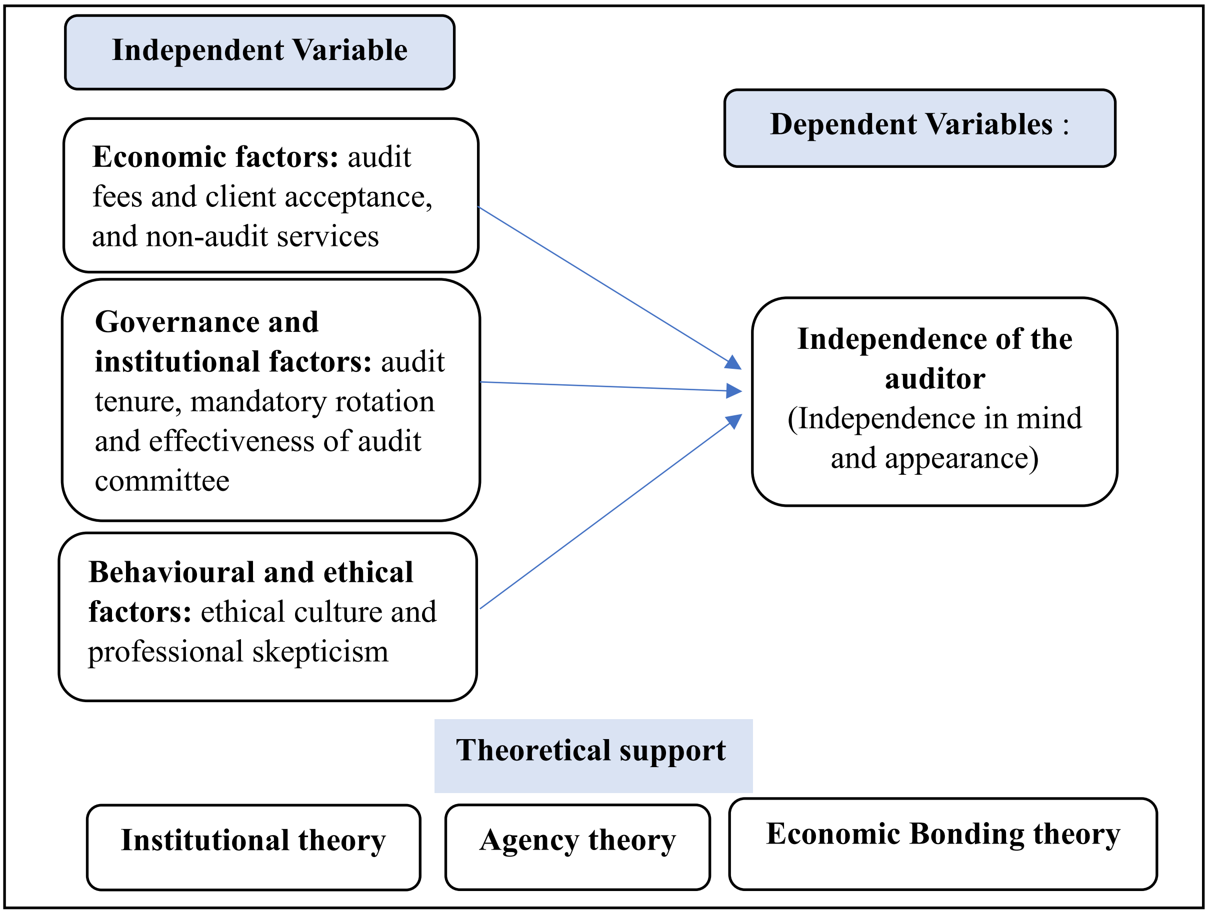


**Figure 1: Conceptual Framework of the Factors Influencing Auditor Independence**

## Discussion

From reviewing previous studies, technical reports from accounting regulatory bodies such as the MIA, Bursa Malaysia, and CCM, we can summarize that there were 3 main factors influencing Malaysian auditors' independence, as shown in Table 1.

**Table 1: Summary of the factors affecting the Malaysian auditors' independence**

| Factors | Explanation | Previous study |
|---|---|---|
| Economic factors | Influenced by a large sum paid for the audit services and non-assurance services for the same client. Excessive reliance on client fees may pressure auditors to prioritise commercial interests over professional objectivity and judgment. | Habib et al. (2022); Abdul Wahab et al., (2020); Soofi and Shah (2025); Tepalagul and Lin, (2015); Lee and Phua (2022) |
| Governance and institutional factors | Audit tenure, mandatory rotation, and effectiveness of the audit committee (AC) are considered as institutional factors. The long auditor-client relationships enhance or impair auditor independence; thus, the mandatory | Tepalagul and Lin (2015); Kamal (2023); Brooks et al. (2022); Cheynel and Zhou (2024), |

| | | |
|---|---|---|
| | rotation and the independence of the AC are expected to enhance the auditor in maintaining their independence and professional skepticism | |
| Behavioural and ethical factors | The strengthening of ethical culture within audit firms has become increasingly important in safeguarding auditor independence and rebuilding public trust in the auditing profession | Samagaio et al. (2025); Sumarlin et al. (2024); Johnson et al. (2024); Xu et al. (2023) |

Table 1 above shows the three primary themes of factors influencing the auditors' independence. They include economic, institutional, and behavioral factors. The previous literature found that high fee dependency and large fees for non-audit services will pose a financial threat to auditors' objectivity and will lead to compromise in their independence (Habib et al.,2022; Soofi and Shah, 2025). However, their negative impact can be mitigated through the implementation of effective governance mechanisms. For the examples, the institutional mechanisms such as mandatory audit rotation and independent audit committee oversight are expected to help auditors maintain their professional skepticism over long tenures (Brooks et al., 2022; Kamal, 2023). Besides, the framework also suggests that these structural safeguards are more effective when combined with a strong internal culture within the audit firm, which serves as the best protection to protect auditor objectivity, maintain their independence, and help restore the public trust in auditors' services (Johnson et al.,2024; Sumarlin et al.,2024).

**Conclusion**

This paper aimed to propose a conceptual framework to explain the factors influencing auditors' independence in performing financial statement audits by integrating economic, governance, institutional, behavioural, and ethical factors. Based on the reviewed literature, the study proposed that high audit fees, long tenure, effective audit committees, and ethical auditor behaviour are expected to influence auditor independence and may increase audit quality. This paper contributes to the literature by proposing a conceptual framework explaining how economic pressures, governance mechanisms, institutional environments, and ethical considerations collectively influence auditor independence in Malaysia. The results of this study have practical implications for regulators, audit firms, and policymakers in enhancing audit quality, corporate governance, and the integrity of financial reporting. The study is based on existing literature and theoretical assumptions. Future research should therefore extend this study by collecting empirical data from accounting practitioners or audit firms to test the proposed relationship and confirm the conceptual framework.

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|---|---|
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