

FACTORS INFLUENCING AUDITORS' ACCEPTANCE OF THE PRACTICE REVIEW SYSTEM

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ABSTRACT

This research was carried out to identify the factors that influence auditors' acceptance of the Practice Review System. Using a theoretical model based on the Decomposed Theory of Planned Behavior, this study aims to identify the factors influencing acceptance of the Practice Review System. Questionnaire survey was used in research. Systematic random sampling was adopted with 1,000 sets of questionnaire distributed and 123 completed questionnaire returned for analysis. The results indicated that the proposed model explained 64.6% of the variance in intention to accept the Practice Review System. The results from this study highlight that salient beliefs including perceived usefulness and rule observation behavior are highly relevant in assessing attitude towards acceptance of Practice Review System, while attitude is strongly associated with intention. The implications of this study are beneficial for practitioners in identifying the factors influencing auditors' acceptance of the Practice Review System. Hence, this would enable them to better develop implementation strategies for acceptance of the Practice Review System.

Keywords: practice review, decomposed theory of planned behavior, perceived usefulness, perceived ease of use, attitude, rule observant behavior, professional commitment

INTRODUCTION

The series of very high profile and recent corporate scandals involving Enron, Worldcom, Adelphia and Tyco had resulted in Sarbanes Oxley Act (SOA) a US law passed in 2002 aimed at strengthening corporate governance and attempt to restore investors' confidence in the US financial system. The Act also creates and regulates the Public Company Accounting Oversight Board (PCAOB) to oversee public company audits and establishes conflict of interest rules for securities analysis. The establishment of SOA and PCAOB in US thus becomes a model for other countries in order to set their own auditing oversight board including

Malaysia as can be observed in the recent Budget 2008 speech that the government has proposed to set up a PCAOB similar to that in the US.

Effective oversight will help to strengthen audit practice and profession and will be able to detect weaknesses that could influence an accountant's ability to fulfill the goal of having the financial statements audited by competent, independent accountants. The only difference is that Auditing Oversight Board has different terms or perceptions in different countries. However, the functions and role played by them is quite similar in each country. Countries like Canada, New Zealand, UK, US and Singapore has already set up the Board. The Board would then set up a process known as practice review in which the standards and procedures of an audit practice are assessed by the members in the profession.

In Malaysia, the Malaysian Institute of Accountants (MIA), which is established by statute in 1967, is currently playing a role as an accounting oversight board. MIA has, on 26 July 2002, introduced the Practice Review Framework as one of the mechanism to monitor auditors' compliance with technical and ethical standards. Subsequently MIA in July 2005 came up with a quality manual, adopting the International Standards on Quality Control (ISQC) 1 as an approved Standard on Auditing in Malaysia. Member firms are required to establish compliance with the quality control systems as per ISQC 1 by 1 July 2006. Practice Review Framework is a proactive measure to ensure all audit firms maintain, observe and apply the relevant professional and ethical standards.

Practice Review System focuses on the audit firm's quality control system for its accounting and auditing practice including documentation of the system and compliance by firm personnel. It is a periodic external review of a firm's quality control system in accounting and auditing by members of the same profession with the goal of maintaining and improving the quality of these services on a comprehensive basis. Hence there would be a self regulatory framework attempting to develop members' professional work standard and increases the credibility of a true and fair audited financial statement to decision makers.

For the purpose of this study, the Practice Review Framework will be referred to as the Practice Review System.

The initial acceptance of Practice Review System among auditors is the important driving force to further influence the adoption of system. The success of the Practice Review System would particularly depends on the acceptance of the system among the auditors and the public must be convinced that the system would ensure that accountants in public practice carries out professional work at the highest quality standard. Thus, this study discussed the factors influencing

auditors' acceptance of the Practice Review System. The factors identified will assist MIA to understand the reasons why auditors are willing or not willing to accept the Practice Review System and what are the measures needed to increase their acceptance level to use the system. Therefore, it will lead to better planning and implementation of the Practice Review System.

The objectives of this study are: (1) to determine whether perceived usefulness (PU), perceived ease of use (PEOU), professional commitment (ProfComm) and rule observant behavior (ROB) will influence attitude and (2) to determine whether attitude will influence intention to accept the Practice Review System.

LITERATURE REVIEW

Audit Quality

Quality of services provided by audit firms is a very important issue when many signal of dissatisfaction on the services arise (Sutton, 1993). Kane and Velury (2002) found in their study that audit firms may increase their attractiveness to institutional investors when they provide high quality audit services.

High quality audited information would enhance investors' confidence and ensure efficiency and effectiveness of the overall economy. Therefore, effective monitoring or oversight of the auditing profession is critical to ensure that the highest quality of audited financial statements is maintained and simultaneously building trust and reliance on the financial statements. Strong oversight helps to strengthen audit practice and to detect and deter any weakness that could detract from an accountant's ability to fulfill the goal of having financial statements audited by competent, independent auditors. Further, when oversight is compromised, the quality of financial information can be affected and investors' trust in quality of financial information will be affected. As part of the effort of ensuring effective oversight of the accounting profession, MIA has, on 26 July 2002, approved the implementation of the Practice Review System.

Practice Review System

Practice Review System attempts to assure quality audit performance and to reduce or eliminate substandard performance. It requires member firms to understand what is necessary for quality practice, establish appropriate policies and procedures for quality performance as per the standards set by the MIA. Audit firms are required to be subjected to an independent quality review and take remedial or corrective actions as needed. The practice review framework consists of two components: (1) a study and evaluation of the quality control

systems of the firm under review to ensure it is in accordance with the requirements of the Standards on Auditing and (2) relates to the testing of the firm's compliance with its quality control procedures.

The implementation of Practice Review System will create awareness among practising members to the need to maintain such a level of professional standard and ensuring the highest standard of audit quality in their work regardless of whether they are practising as sole practitioners or as partners of large firms.

The Practice Review System is mandatory to all MIA members, however the acceptance rate of the system is still very low and the implementation is still in the early stage despite being included as a monitoring mechanism for the auditing profession in the MIA by law issued in 2002.

The advantages of the system in the Malaysian accounting context can be summarized as follows:

1. To inspire a greater confidence in the profession by the Malaysian community.
2. The need for self regulation. In the past, MIA has been instrumental in the setting, developing and implementation of various accounting and auditing standards and guidelines. However, the adherence to such standards and guideline are rarely subject to monitoring by MIA. Therefore, there is a need for self regulation within the profession.
3. Obligation for continuous improvements of professional standards. The accounting profession has an obligation to continue to improve its standards on professional work. The Practice Review System is aimed at helping members to raise their professional work standards. It is aimed at improving internal quality control system of audit firms that will enable the firm to develop and refine the technical skills of their employees. Hence, enabling the firm to deliver high quality professional services and products to their clients.

Some of the key challenges which may have resulted in concerns among auditors are as follows (Yong, 1999):

1. Confidentiality

As Practice Review System requires the reviewer to have access and view another accounting firm's procedures and working documents, such as specific files and work done on a particular client, care must be given to ensure the confidentiality of the firm reviewed is safeguarded. The audit

firms being reviewed also challenges whether MIA has the right to access the documents as according to them, the documents of their audit clients are confidential and the audit firms are bound by duty of confidentiality to their clients under the Accountant Act 1975. Hence, by providing access to MIA the duty is breached. Under the MIA by law, MIA is given the right to perform the practice review audit to ascertain whether quality audit was performed. Due to this conflict, audit firms are posing a question as to whether the Accountant Act 1975 is more superior to the MIA by law.

2. Objectivity

The reviewer should also be seen and act objectively when conducting the practice review. Also as part of the improvement objective or practice review process, firms are required to take corrective actions to overcome their weaknesses after a practice review is conducted. If firms fail to take the appropriate corrective action then various sanctions can be imposed. As such, the chosen reviewer must be objective in the assessment and should provide constructive feedback without any bias or malicious intention.

3. Practice review risk

In addition, there may be the practice review risk whereby the practice review team may fail to identify significant weaknesses in the reviewed firm's system of quality control or compliance with it, or issuing an inappropriate opinion on the reviewed firm's system of quality control for its accounting and auditing practice and/or compliance with the system. Therefore, steps should be taken to reduce or mitigate this risk to an acceptable level.

4. Professional fees

The professional charges for the practice review audit may range from RM3,000 to RM5,000 per review conducted. This is expensive especially to small audit firms.

The objective of the Practice Review System is to ensure that all members in the public practice maintain, observe and apply the relevant professional standards. Primarily, the Practice Review System is intended to be educational and assist member in public practice improve their professional standards and audit quality where necessary. Essentially through a review of current engagement files, the Practice Review System will identify the areas where a member firm may require assistance in improving or maintaining professional standards and audit quality.

As in the ISQC, the member firm's system of quality control should include policies and procedures, appropriately documented and communicated to the firm's personnel, addressing each of the six key elements.

1. Leadership responsibilities within the firm
2. Ethical requirements
3. Acceptance and commitment of clients' relationships and specific engagements
4. Human resources
5. Engagement performance and engagement quality control review
6. Monitoring

As part of the quality control system designed is to provide member firms in public practice with reasonable assurance that the firm and its personnel comply with professional standards, regulatory and legal requirements and that auditors' reports issued by the firm are appropriate in circumstances.

Decomposed Theory of Planned Behavior

This study adopted the Decomposed TPB as the model used to study the factors influencing auditors' acceptance of the Practice Review System.

Attitudinal belief structure is decomposed based on the assumption that the belief structure may reflect a variety of underlying dimensions that obscure its relationship to attitude (Taylor & Todd, 1995). Based on previous literature, the study has examined four attitudinal belief dimensions: (1) PU, (2) PEOU, (3) ROB, and (4) ProfComm.

Dependent Variable

Behavioral intention

Acceptance of the Practice Review System is defined as an individual's psychological state with regard to his or her intended use of the system (Hung, Chang, & Yu, 2006). Collectively, findings from most prior research suggest that an individual's intention to use an information system can sufficiently approximate or measure his or her actual use.

Behavioral intention has been shown to explain or predict an individual performing a conscious act such as deciding to accept (or use) an information system (Sheppard, Hartwick, & Warshaw, 1988; Venkatesh & Davis, 2000).

Independent Variables

Attitude

Ajzen (1988) defined attitude as an individual's positive or negative feelings (evaluative affect) about performing the target behavior. Attitude can be conceptualized in terms of values whereby individual develops particular values about behaviors. Fishbein and Ajzen (1975) noted that individual attitudes towards behavior are based on estimates of the likelihood and desirability of the various possible consequences of that behavior. It is related to behavioral intention because people form intentions to perform behaviors towards which they have positive feeling. Favorable attitude towards the Practice Review System is expected to positively influence auditors' acceptance of the Practice Review System.

Perceived usefulness (PU)

Davis (1989) defines perceived usefulness as "the degree to which a person believes that using a particular system would enhance his or her job performance". This is an important belief identified as providing insight into how user's attitude towards acceptance and intention to accept are influenced. A significant body of prior research has shown that perceived usefulness had a positive effect on behavioral intention to use and it is suggested that the most critical belief underlying an individual's attitude towards the behavioral intention to accept is the perceived usefulness of the system (Venkatesh, 1999; 2000; Venkatesh & Davis, 1996; 2000; Venkatesh & Morris, 2000). Perceived usefulness refers to job related productivity, performance and effectiveness (Davis, 1989). A significant body of studies has shown that perceived usefulness and perceived ease of use are determinants of usage (e.g., Igarria, Zinatelli, Cragg, & Cavaye, 1997; Sjazna, 1994). Hence the study included perceived usefulness and perceived ease of use.

Perceived ease of use (PEOU)

Perceived ease of use refers to "the degree to which a person believes that using a particular system would be free of effort" (Davis 1989: 320). Davis, Bagozzi, and Warshaw (1989) identified perceived ease of use as an important factor of system usage. Effort is a finite resource that a person may allocate to the various activities for which he or she is responsible. All being equal, an application perceived to be easier to use than another is more likely to be accepted by users. Perceived ease of use is found to be less consistent in its relationship to attitude (Vijayarathy, 2004). However, perceived ease of use may be relevant to this study hence the variable is retained for this study.

Professional commitment (ProfComm)

Professional commitment entails (a) the belief and acceptance of the goals and values of the profession, (b) a willingness to exert effort on its behalf, and (c) a desire to maintain membership into the profession (Aranya, Pollock, & Amemic, 1981; Aranya & Ferris, 1984). Professional committed accountants would be more responsive in making efforts to advance the professional's values as well as to improve their own job performance (Larson, 1977). The accounting profession is subject to a code of professional conduct. Jeffrey and Weatherholt (1996) discussed that many of the values of the accounting profession are included in this code, and socialization into the profession and the development of professional commitment should include acceptance of the Practice Review System espoused by the code.

Rule observant behavior (ROB)

The accounting profession's emphasis on techniques or tools or systems has been a variable that may be related to the ethical behavior of accountant. Trevino (1986) discussed a model of ethical decision making wherein situational and individual moderators interact with an individual's cognitions to determine ethical or unethical behavior. One situational moderator included in the framework is "obedience to authority". Thus, there is a connection between the tendency to follow rules as a factor influencing attitude formation behavior and have an influence in auditors' intention to accept the Practice Review System.

THEORETICAL FRAMEWORK

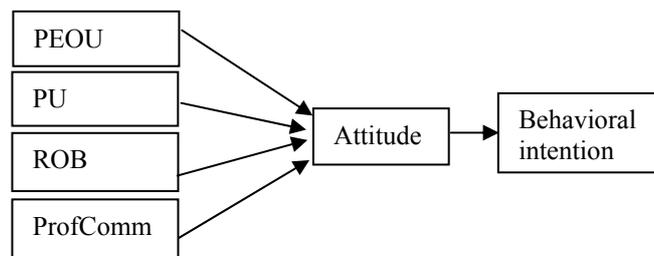


Figure 1. Theoretical framework

DEVELOPMENT OF HYPOTHESES

Perceive Usefulness and Attitude

There is extensive research that provides evidence of the significant effect of perceived usefulness on acceptance intention (Agarwal & Prasad, 1999; Davis et al., 1989; Hu, Chau, Sheng, & Tam, 1999; Venkatesh, 1999, 2000). Hence the formation of positive attitude among auditors towards acceptance of the system increases with perceived usefulness of the Practice Review System. Therefore, it is hypothesized that:

H_{1a}: Perceived usefulness of the Practice Review System will positively affect attitude towards the system.

Perceived Ease of Use and Attitude

Perceived ease of use was proposed by Davis (1989) to be an important factor influencing system acceptance. Hans (2003) found that 18 studies have found perceived ease of use to be significantly related to behavioral intention. Compared to perceived usefulness, perceived ease of use is the second most important factors of a user's behavioral intention towards a system. Hence, the formation of positive attitude among auditors towards acceptance of the system increases with perceived ease of use of the system. Hence, it is hypothesized that:

H_{1b}: Perceived ease of use of the Practice Review System will positively affect attitude towards the system.

Professional Commitment and Attitude

Professional independence is a basic value of profession (Larson, 1977). Hence, those auditors that are professionally committed would be less acceptable to situations or occurrences in which accounting principles are used in ways which are different from those implied by the professional standards. Such individuals would consider it essential to work within the framework set by the profession and more responsive to values and standards governing the accounting profession. Therefore, it is hypothesized that:

H_{1c}: Professional commitment will positively affect attitude towards Practice Review System.

Rule Observant Behavior and Attitude

Lampe and Finn (1992) concluded that the ethical development of auditors reflects "an orientation to internalized compliance with Generally Accepted Accounting Principles (GAAP) and Generally Accepted Auditing Standards (GAAS) code of ethics and other rules of social order". Arlow and Ulrich (1980) posited that accountants are trained in "hard and fast rule" and "obedience to authority" (Gaa, 1992) hence it make good sense to test whether rule observant behavior will positively affect auditors' attitude to accept the Practice Review System. Therefore, it is hypothesized that:

H_{1d}: Rule observant behavior will positively affect attitude to accept the Practice Review System.

Attitude as a Mediator

Attitude may be considered as a mediator to the extent to which it carries the influence of independent variables to intention. Cheng, Lam, and Hsu (2004) found that attitude serves as mediating variables in various relationships between past behavior and customer dissatisfaction. Ndubisi (2004) adopted the Decomposed Theory of Planned Behavior in a study examining the factors influencing intention to adopt e-learning in Malaysian education system. He found that attitude serves as a mediating variables in various relationships between factors and adoption intention.

H₂: Attitude mediates the relationship of perceived usefulness, perceived ease of use, professional commitment and rule observant behavior to behavioral intention.

H_{2a}: Attitude will mediate the relationship of perceived usefulness to behavioral intention.

H_{2b}: Attitude will mediate the relationship of perceived ease of use to behavioral intention.

H_{2c}: Attitude will mediate the relationship of professional commitment to behavioral intention.

H_{2d}: Attitude will mediate the relationship of rule observant behavior to behavioral intention.

METHODOLOGY

Population

As the practice review is implemented among audit companies or applied to firms offering audit services, hence the population of this study consists of auditors in Malaysia who are working for audit companies that are registered in the 2005 MIA directory list. The unit of analysis of this study was individual auditors working specifically in companies offering audit services.

Sampling Method

The sampling technique used is systematic random sampling from the MIA member list. MIA member list was chosen as the sampling frame as audit firms are required to register with MIA. There are 1,335 member companies registered as audit firms in the 2005 MIA membership directory list. The researcher aims at sending out 1,000 mailed questionnaire, thus every third company on the list is removed. By doing so will enable the researcher to identify 1,000 companies as sampling units.

Sample size is 1,000 and the sample size was determined using a general rule that is the minimum number of respondents is to be at least five times of the total number of variables to be analyzed, and the more acceptable size would be a ten-to-one ratio (Hair, Anderson, Tatham, & Black, 1998). Hence, the sampling technique and sampling size in this study was selected as it was the most viable alternative considering the constraint of time, speed, cost and conveniences in order to obtain enough respondents.

Data Collection Techniques

Data was collected through the self administrated questionnaire survey. Questionnaires were placed in an envelope, with a cover letter explaining the objective of the research. A stamped self-addressed envelope, a support letter from MIA and a set of questionnaire were also included in the envelope. All respondents were guaranteed confidentiality of individual responses.

Variables and Measurements

The independent variable of this study, attitudinal belief structure is decomposed into four dimensions: (1) perceived usefulness, (2) perceived ease of use, (3) rule observant behavior and (4) professional commitment. To measure the decomposed dimensions of attitudinal belief structure, various instruments were

adapted from published literature. The survey measurement scale (except demographic profile) utilizes a 7-point Likert ranging from (1) "strongly disagree" to (7) "strongly agree" was used.

The dependent variable of this study is behavioral intention. Table 1 depicts the layout of the questions in the questionnaire that was used in this study.

Table 1
Layout of questionnaire

Layout	Number of items	Source
Independent variable – Layout for factors		
Attitude		
Section A: PU	5	Davis (1989)
Section B: PEOU	7	Davis (1989)
Section C: ROB	5	Jeffrey and Weatherholt (1996)
Section D: ProfComm	13	Jeffrey and Weatherholt (1996)
Dependent variable – Behavioral intention		
Behavioral intention	3	Bhattacharjee (2000)

DATA ANALYSIS AND RESULTS

Response Rate

A total of 1,000 questionnaires were distributed to auditors who are working in audit firms that are registered with MIA. Out of the 1,000 questionnaires sent out, 130 were returned. Of the 110 questionnaires received, 7 were found to be incomplete or spoiled thus were discarded. Therefore, only 123 questionnaires were used in the analysis representing a response rate of 12.3%. The number of responses met the criteria of the minimum number of respondents required.

Profile of Respondents

Majority of respondents (57.4%) were of the middle age (aged 35 years and above) and have professional qualifications (82.9%). There were 80.3% males and 19.7% females who have participated in the study. Majority of respondents (73.2%) were partners of audit firms. Table 2 is a summary of the frequency and percentage of respondent's profile.

Table 2
Frequency and percentage of respondent's profile

Demographic of respondent	N	Characteristics	Frequency	Percentage
Age	122	20–30	15	12.3
		31–35	37	30.3
		36–40	9	7.4
		41–45	11	9.0
		46 above	50	41.0
Education	123	Degree	16	13.0
		Master	3	2.4
		Professional qualification	102	82.9
		Others	2	1.6
Gender	122	Male	98	80.3
		Female	24	19.7
Position	123	Partner	90	73.2
		Manager	24	19.5
		Senior	6	4.9
		Junior	3	2.4

Profile of the Organization

It can be seen that most of the respondents (82.1%) are working in small sized firms which are defined as having a workforce with less than 25 professionals followed by 16.3% working in medium sized firms which are defined as having a workforce with more than 25 but less than 50 professionals. Approximately 55% are working in audit firms that have a major client based in the trading industry. Approximately 64% of the respondents are working in firms that have about 300 or less number of clients. Majority of the samples are from Wilayah Persekutuan and Selangor which constitute 62.9% of the sample size. Table 3 presents the information on respondents' profile.

Goodness of Measures

This study utilized factor analysis to improve the questionnaire validity. Thus, a principle component analysis was conducted on factorial structure. Factor analysis generally requires two stages: factor extraction and factor rotation. Factor extraction is conducted to make an initial decision about the number of factors underlying a set of measured variables or items. Factor rotation is to statistically manipulate the results to make the factors more interpretable and to make the final decisions about the number of the underlying factors. A component would be retained for factor extraction when the component

eigenvalue was greater than 1 and the percentage of variance was greater than 4.353%.

Table 3
Respondents' organization profile

Demographic of organization	N	Characteristics	Frequency	Percentage
Firm size	123	Large firm	2	1.6
		Medium firm	20	16.3
		Small firm	101	82.1
Type of business	123	Financial industry	3	2.4
		Trading industry	68	55.3
		Manufacturing industry	16	13.0
		Others	36	29.3
No. of clients	121	Less than 300	77	63.6
		301–500	22	18.2
		501– 1000	16	13.2
		Above 1000	6	5.0
State	116	Wilayah Persekutuan	41	35.3
		Selangor	32	27.6
		Pulau Pinang	10	8.6
		Perak	10	8.6
		Kedah	1	0.9
		Pahang	2	1.7
		Johor	9	7.8
		Negeri Sembilan	2	1.7
		Sabah	5	4.3
Sarawak	4	3.4		

Factor analysis performed on the independent variables of this study (factors to attitude, factors to perceived behavior control, independent variable comprising of attitude, subjective norm and perceived behavior control) will be discussed in this section. Using the Varimax rotated component analysis, all the items selected had factor loadings greater than 0.50. Items with loading below 0.50 and cross loading items with loading above 0.35 on two or more factors would be dropped from further analysis (Igbaria & Iivari, 1995). However, following the recommendations of Barclay, Higgins, and Thompson (2001) as cited in Enns, Huff, and Golden (2003), cross loaded items were included if their primary loading was theoretically justifiable and if their elimination would have had a negative impact on the reliability of the construct. The main purpose of applying factor analysis was to assist in reducing the number of variables to a more meaningful and interpretable factors (Sekaran, 2000).

Factor Analysis on Factors for Attitude

All four factors to attitude (perceived usefulness, perceived ease of use, rule observant behavior and professional commitment) which constituted 32 items were subjected to principal component analysis with Varimax rotation and items were included or dropped based on the assumptions made.

Measure of sampling adequacy was carried out and the diagonal entries of the anti image correlation matrix showed one reading below 0.5. Items which have less than 0.5 MSA in the anti image correlation mix table, were removed and the process is repeated until all MSA readings in the table were 0.5 or more (Hair et al., 1998). Having dropped one item from the 32 items (ProfComm item no. 9) which has the lowest MSA of 0.494, the MSA obtained ranging from 0.641 to 0.917 (the factor analysis was sorted by magnitude and all factor loading less than 0.30 was suppressed). The items were then subjected to principal component analysis with Varimax rotation. Items were included or dropped based on the assumptions made.

The final Kaiser-Meyer-Olkin MSA was at 0.787 and the Bartlett test of sphericity shown significance for the overall correlations with the correlation matrix. The eigenvalue was 8.181 and the total percentage of variance extracted was 75.121%. From the results, all four items remained, however the number of items was dropped for certain variables due to high cross loadings with other factors. Table 4 summarized the number of items for each variable and the factor loadings and where necessary their corresponding cross loadings to other factors.

Reliability Analysis

Reliability analysis were conducted to measure the internal validity and consistency of the items used for each variable in the survey instrument. Hair et al. (1998) suggested that Cronbach alpha of more than 0.70 indicates that the items are homogeneous and measuring the same construct. From Table 4, it can be observed that the instruments were reliable since the coefficients for each study variable exceeded the minimum acceptance level of 0.60 (Sekaran, 2000). Hence, as the internal consistency reliability coefficients for the research construct are all above 0.70 level, the reliability of the research constructs is supported.

Table 4
Rotated factors and factor loading for factors to attitude

Rotated component matrix (a)

	Factors			
	1	2	3	4
PU				
PU 5	0.923			
PU 1	0.918			
PU 2	0.882			
PU 4	0.871			
PU 3	0.863			
PEOU 3	0.536			
ProfComm				
PROF COMM 10		0.869		
PROF COMM 2		0.814		
PROF COMM 14		0.797		
PROF COMM 6		0.769		
PROF COMM 8		0.738		
ROB				
RL OBS BHV 2			0.862	
RL OBS BHV 3			0.823	
RL OBS BHV 4			0.775	
RL OBS BHV 1			0.757	
PEOU				
PEOU 6				0.916
PEOU 5				0.891

Notes: Rotation method: Varimax with Kaiser normalization
 Rotation converged in five iterations

Table 5
Reliability coefficients of the study variables

Type of variables	N	Total number of items after factor analysis and reliability test	Cronbach's alpha value
Independent variables			
Factors to attitude			
PU	123	5	0.9504
PEOU	123	2	0.8984
ROB	123	4	0.8269
ProfComm	121	5	0.8715
Attitude	123	4	0.9595
Behavioral intention	121	3	0.9171

Descriptive Statistics

The mean and standard deviation for each study variable is depicted in Table 5. It can be observed that the overall mean values for all the variables on a scale of 1 to 7 ranges from 3.96 to 5.39 and standard deviation ranges from 0.81 to 1.72. Mean scores for most variables measures were close to midpoint, suggesting that the respondents were fairly neutral on these items. The respondents indicated slightly more positive on ProfComm and ROB. Perceived financial cost is also an important criteria based on the higher mean score.

Table 6
Overall descriptive statistics of the study variables

Type of variables	N	Mean	Std. Deviation
PU	123	4.19	1.72
PEOU	123	4.67	1.61
ROB	123	5.39	0.90
ProfComm	123	5.25	1.08
Attitude	123	4.49	1.49
Behavioral intention	123	4.40	1.53

HYPOTHESES TESTING

The Relationship Between Factors (Perceived Usefulness, Perceived Ease of Use, Professional Commitment, Rule Observant Behavior) and Attitude

Hypothesis testing on H_{1a} to H_{1d}:

- H_{1a}: Perceived usefulness of the Practice Review System will positively affect attitude towards the system
- H_{1b}: Perceived ease of use of the Practice Review System will positively affect attitude towards the system
- H_{1c}: Professional commitment will positively affect attitude towards Practice Review System
- H_{1d}: Rule observant behavior will positively affect attitude to accept the Practice Review System

For H_{1a} to H_{1b}, a regression analysis on all four variables (perceived usefulness, perceived ease of use, rule observant behavior and professional commitment) and

attitude was performed, with the four variables indicated as independent variables and attitude as the dependent variable. Table 6 depicted the regression results. From the results it can be seen that R^2 is 0.646 which translated as 64.6% variance in attitude is being explained by the four variables perceived usefulness, perceived ease of use, professional commitment and rule observant behavior. Durbin-Watson 2.372 is within the acceptable range, hence there is no autocorrelation among variables. Perceived usefulness ($\beta = 0.766$, $p < 0.05$) and Rule observant behavior ($\beta = 0.122$, $p < 0.05$) had a positive effect on attitude. Perceive ease of use and professional commitment were found insignificant at 5% significant level $p > 0.05$. Therefore H_{1a} and H_{1d} were supported but H_{1b} and H_{1c} were not supported.

Table 7
Regression results of factors and attitude

Independent variable	Std. Beta
Determinants of attitude	
PU	0.766*
PEOU	-0.023
ROB	0.122*
ProfComm	0.014
R^2	0.646
Adjusted R^2	0.633
F value	51.108
Sig.	0.000
Durbin-Watson	2.372

Note: * $p < 0.05$

The Relationship between Perceived Usefulness, Perceived Ease of Use, Professional Commitment, Rule Observant Behavior and Behavioral Intention through Attitude (Mediating Impact)

Hypotheses testing on H_2 :

- H_{2a} : Attitude will mediate the relationship of perceived usefulness to behavioral intention
- H_{2b} : Attitude will mediate the relationship of perceived ease of use to behavioral intention
- H_{2c} : Attitude will mediate the relationship of professional commitment to behavioral intention
- H_{2d} : Attitude will mediate the relationship of rule observant behavior to behavioral intention

Attitude may be considered a mediator if it carries the influences of the independent variable to behavioral intention. Basically, mediating effect is present when:

1. The independent variable significantly affects the mediator (attitude)
2. The independent variable significantly affects the dependent variable in the absence of the mediator
3. The mediator has significant unique effects on the dependent variable

The effect of independent variable on dependent variable upon the addition of the mediator to the model, diagrammatically can be shown as follows (Baron & Kenny, 1986):

- Z = Dependent variable
- X = Independent variable
- Y = Intervening variable

Steps in testing:

- Z = $f(X) = a + bX$
- Y = $f(X) = c + dX$
- Z = $f(Y) = e + fY$
- Z = $f(X, Y) = g + hX + jY$

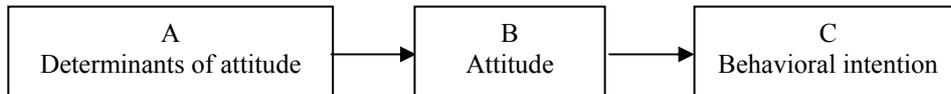
<p style="text-align: center;">Full mediator effect:</p> <ul style="list-style-type: none"> → $b \neq 0$ → $d \neq 0$ → $f \neq 0$ also $j \neq 0$ → $h = 0$

<p style="text-align: center;">Partial mediator effect:</p> <ul style="list-style-type: none"> → $b \neq 0$ → $d \neq 0$ → $f \neq 0$ also $j \neq 0$ → $h \neq 0$ but $h < b$

Regression analysis was used to test any mediating effect on the mediating variable (attitude) on the independent variable (perceived usefulness, perceived ease of use, professional commitment and rule observant behavior).

For the purpose of investigating the mediator effect, four models have been developed as follows:

Model



- Model 1 → A to C
- Model 2 → A to B
- Model 3 → B to C
- Model 4 → AB to C

Table 8a represented the results of model one (A to C) and Table 8b depicted the results of model four (AB to C). Finally, Tables 8c and 8d subsequently present all the results of the models tested and the results of mediating effects for H₂.

Table 8a
Regression results of model 1(A to C)

Independent variable	Std. Beta
Factors of attitude	
PU	0.766*
PEOU	-0.023
ROB	0.122*
ProfComm	0.014
R ²	0.646
Adjusted R ²	0.633
F value	51.108
Sig.	0.000
Durbin-Watson	2.372

Note: * p < 0.05

From the results shown in Table 8a, R² is 0.660. Thus, 66% of the variations in behavioral intention are being explained by these independent variables. Durbin-Watson is 1.830 which is within the acceptable range hence autocorrelation among variables did not exist. In model 1, perceived usefulness ($\beta = 0.766$, $p < 0.05$) and rule observant behavior ($\beta = 0.122$, $p < 0.05$) had a positive effect on behavioral intention. The other two variables, Perceived ease of use and professional commitment were found insignificant at 5% significant level whereby $p > 0.05$. Therefore, perceived usefulness and rule observant behavior have significant and positive effect on behavioral intention, whereby perceived ease of use and professional commitment did not show significant relationship with behavioral intention.

The results suggest that attitude mediates the relationship between the two variables (perceived usefulness and rule observant behavior) and behavioral intention to accept the Practice Review System. Hence, there is an indirect relationship (attitude) between perceived usefulness, rule observant behavior and behavioral intention to accept the system.

Results shown in Table 8b revealed that R^2 is 0.854, hence 85.4% of the variations in behavioral intention are being explained by the stated independent variables. Durbin-Watson was found at 1.871, which is within the acceptable range hence indicating autocorrelation among variables did not occur. In this fourth model, attitude ($\beta = 0.950$, $p < 0.05$) has a significant effect on behavioral intention.

Table 8b
Regression results of model 4(AB to C)

Independent variable	Std. Beta
PU	-0.044
PEOU	-0.032
ROB	-0.027
ProfComm	0.023
Attitude	0.950*
R^2	0.854
Adjusted R^2	0.847
F value	125.783
Sig.	0.000
Durbin-Watson	1.871

Note: * $p < 0.05$

Perceived usefulness and rule observant behavior towards behavioral intention have fully mediating effect where b is significant ($\beta = 0.763$, $p < 0.05$) and $\beta = 0.128$, $p < 0.05$), d is significant ($\beta = 0.766$, $p < 0.05$ and $\beta = 0.122$, $p < 0.05$), f and j are significant ($\beta = 0.929$ and $\beta = 0.950$, $p < 0.05$) but h is insignificant.

Lastly, perceived ease of use and professional commitment did not reflect any mediating effect as the results did not fulfil the mediator condition.

The stability and consistency of all items used for each variable were studied by running factor and reliability analysis. The descriptive analyses were tabulated by presenting the frequency and percentage of respondents' and their organization profile. Pearson-Moment Correlation was applied to investigate the intercorrelations among all the variables used in hypotheses testing. Finally, regression analysis was used in testing the hypotheses. Table 9 summarized the overall findings in this study.

Table 8c
Overall results of all models

Independent variables	Significance value of dependent variables measurement			
	Model 1 (A to C)	Model 2 (A to B)	Model 3 (B to C)	Model 4 (AB to C)
	(PU, PEOU, ROB, ProfComm to BI)	(PU, PEOU, ROB, ProfComm to BI)	(Attitude to BI)	(ROB, ProfComm, Attitude to BI)
PU	0.763	0.766	–	0
PEOU	0	0	–	0
ROB	0.128	0.122	–	0
ProfComm	0	0	–	0
Attitude	–	–	0.929	0.950

Note: "0" shows insignificance and p value > 0.05

Table 8d
Results of mediating variables

Dimension	b	d	f	h	j	Conclusion
PU	0.763	0.766	0.929	0	0.950	Fully mediates
PEOU	0	0	0.929	0	0.950	No mediating effect
ROB	0.128	0.122	0.929	0	0.950	Fully mediates
ProfComm	0	0	0.929	0	0.950	No mediating effect

Table 9
Summary of overall findings

Hypotheses	Results
H _{1a} : Perceived usefulness of the Practice Review System will positively affect attitude towards the system	Accepted
H _{1b} : Perceived ease of use of the Practice Review System will positively affect attitude towards the system	Rejected
H _{1c} : Professional commitment will positively affect attitude towards the Practice Review System	Rejected
H _{1d} : Rule observant behavior will positively affect attitude to accept the Practice Review System	Accepted
H _{2a} : Attitude will mediate the relationship of perceived usefulness to behavioral intention	Accepted
H _{2b} : Attitude will mediate the relationship of perceived ease of use to behavioral intention	Rejected
H _{2c} : Attitude will mediate the relationship of professional commitment to behavioral intention	Accepted
H _{2d} : Attitude will mediate the relationship of rule observant behavior to behavioral intention	Rejected

DISCUSSION AND CONCLUSIONS

In this study, it was shown that perceived usefulness and rule observant behavior could explain 64.6% of the variance in attitude formation to accept the Practice Review System. Hence, both are significantly important factors of attitude towards acceptance of the Practice Review System.

The beta weight of perceived usefulness is significantly larger ($\beta = 0.766$) than the beta weight of rule observant behavior ($\beta = 0.122$) hence indicating perceived usefulness as a critical factor exhibiting tremendous influences on auditors' attitude formation. Hence, with reference to the study, auditors' acceptance of the Practice Review System occurs when the system demonstrated proven or desired outcome in their practices.

The accounting profession in Malaysia is subjected to a code of professional conduct. Arlow and Ulrich (1980) posited that the accounting profession is trained in "hard and fast rules" and association with emphasis on techniques and tools. Hence, rule observant behavior is an important component of an auditor's training and socialization into the accounting profession which include acceptance of system or guidelines espoused by the code. Therefore, the finding from the study is consistent with the behaviors associated with the accounting profession.

The results suggest that attitude mediates the relationship between the two variables (perceived usefulness and rule observant behavior), and behavioral intention to accept the Practice Review System. Hence, there is an indirect relationship (attitude) between perceived usefulness, rule observant behavior and behavioral intention to accept the system. This implies that to influence the behavioral intention to accept the Practice Review System, there would be a need for a change in attitude towards perceived usefulness and rule observant behavior.

IMPLICATIONS OF FINDINGS

The study was able to show that the Decomposed Theory of Planned Behavior can be used to explain the intention to accept the Practice Review System. The high explanatory power suggests that the model can be adopted for mandatory setting, hence contributed towards behavioral intention research in a mandatory setting.

For practitioners specifically MIA, important factors influencing auditors' acceptance of the practice review are perceived usefulness and rule observant behavior.

To increase the positive attitude towards Practice Review System, MIA should develop implementation strategies that emphasize the usefulness of the system by providing tangible benefits of the system to the auditing profession. Furthermore, the benefit must outweigh the cost and the various stakeholders should be convinced that practice review will raise audit quality to an acceptable level. Hence, possible solutions include tailoring Practice Review System to the size of firm and requesting lower insurance premiums for firms that participate.

Rule observant behavior also implied that auditors are rule obedient professional, hence implementation strategies should clearly ensure that the ambiguity around the Accountant Act 1975 or MIA by law as there are conflicting issues with regards to confidentiality with regards to provision in both act. Hence, such ambiguity should be addressed to reduce the resistance from auditors with regards to the Practice Review System. To deter non compliance of the Practice Review System by member firms, a monitoring and disciplinary system that is perceived as immediate and effective device should be introduced as auditors' are often rule observant individuals.

Furthermore, if the practice review audit conducted found that the professional work by member firms has not been conducted in accordance with generally accepted accounting or auditing standards, remediation actions can therefore be suggested in a proactive manner to enhance the professional standards of member firms. However, if a member firm fails to take the appropriate corrective action, various sanctions can therefore be imposed (for instance additional continuing education requirements, admonishments and suspension from membership) to ensure the professional standards, audit quality and auditor independence are upheld.

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