Middle-East Journal of Scientific Research 15 (4): 500-510, 2013
ISSN 1990-9233

DOI: 10.5829/idosi.mejsr.2013.15.4.2084

Intellectual Capital Components and Independent Auditor's Opinion: A Review on past Studies

Seyedhossein Naslmosavi, Saudah Sofian and Maisarah Binti Mohamed Saat

Department of Accounting and Finance,
Faculty of Management Universiti Teknologi Malaysia, Skudai Johor, Malaysia

Abstract: This paper discusses a new perspective of intellectual capital (IC) in auditing area. Researchers in this study attempted to investigate different models of IC and found that the most relative components of this capital in auditing are Human Capital (HC) and Spiritual Capital (SpC) as suggested by Ismail [1]. Auditors' scholars found that some aspects such as knowledge, experience work, skills can improve the quality of auditor in audit firms. In addition the quality of auditor is depending on auditors' ethics, moral and values. The aim of this paper is to deliberate the mentioned factors in past studies and introduce them under SpC and HC as a conceptual frame work. In this paper there are some suggestions on structure of SpC, HC and their effects on independent auditor's opinion.

Key words: Spiritual capital · Human capital · Ethics · Moral · Experience · Auditors opinion

INTRODUCTION

Independent auditor's opinion not only enhances the confidence of investors in the reporting system but also leads to increase capital markets efficiency. Thus, the effectiveness and quality of opinion developed by the auditor about the financial statements is significantly important because financial statements should be reliable, useful and relevant for investors and creditors. According to Jones [2], today's stockholders in global economy cannot directly observe all the company's activities because of capital market globalization. Therefore, they transact company's stock in the exchange market as investors and expect high quality, comparable and reliable information from financial statements. However, they need unbiased third-person as an external auditor [3, 4, 5] to give the opinion on the veracity of financial reporting [6].

For reliable auditor's opinion, certain issues are considered among multi stockholders such as the reliability of the auditor's opinion, factors effecting the opinion and good auditor's characteristics [7]. However, American Institute of Certified Public Accountants [8] describes that an auditor can judge company's situation whenever there is a departure from the Generally Accepted Accounting Principles (GAAP). Attesting to the effectiveness of this principle, Radtke [9] maintains that, some financial statements' users think that this situation can lead to unethical judgment. In addition, the study indicates that, ideally, the knowledge, skills, expertise, ethics are embedded in audit function [10]. These factors are hidden in individuals' audit firms and in fact are important intangible assets which commonly termed as intellectual capital (IC). The IC has no physical form nor is it easily measured in monetary form in these kinds of firms [11, 12].

On The base of past studies in auditing area, the aims of this study includes: 1. Elaborate some of effective factors of IC in audit firms and their auditors. 2. Categorize and recognize these factors into different related components of IC which will introduce in next section.

Definition and Classification of IC: In the field of accounting, management and economics, scholars have explored the topic of (IC) quite extensively [13, 14]. Similarly, Petty and Guthrie [15] pointed out that, the significance of IC is highlighted further due to knowledge

Correspond Author: Seyedhossein Naslmosavi, Department of Accounting and Finance,
Faculty of Management Universiti Teknologi Malaysia, Skudai Johor, Malaysia.
Tel: +60142694073.

based innovation driven economy and information and technology centered society. Ahmed and Hussainey [16] observed that during the last twenty years measurement of Intellectual Capital and its reporting was remained as the subject of interest of academic scholars.

Anghel [17] argues that in the age of competitiveness knowledge assets provide advantages to managers, investors and other users of knowledge. Therefore, proper intellectual capital and intangible assets management leads to success in this area. Consequently, knowledge and information are the common components in most of previous researches on IC. In addition, Drucker [18] divided the development of knowledge economy into three main categories. These include (1) Industrial Revolution (1750-1880), knowledge was devoted to manufacture tools and products, (2) Production Revolution (1880-1956), knowledge had an improved role in the process of employment and (3) Management Revolution (after 1945) and knowledge was the final destination.

Mangena *et al*. [19] discussed other benefits of reporting IC information, such as increase operational efficiency, create motivation, improve moral reasoning among employees, establish honesty with stakeholders, employ value market tool and increase external reputation.

In the simplest words, IC is the differences between market value and intangibles assets in a company and is composed of some details such as customer loyalty, trademarks, professional skills, experience, goodwill, technology, process and other intangible value [20, 10]. Edvinsson and Sullivan [21] are in agreement that, market value could be divided into financial capital and intellectual capital. Then they believed that IC is knowledge that creates value for a company. Stewart [13] categorized IC into four dimensions and noted that they are useful to create value for a company and further stressed that, knowledge, information, intellectual property and experience are IC components. Sullivan [22] believed that human capital and intellectual assets are subdivision of IC and the composition of IC includes knowledge, innovations and tradition. Furthermore, in this structure, people, expertise and knowledge are considered as parts of human capital and they are coincident non-financial assets. Financial assets are a section of intellectual assets and that can be owned by stockholders as a "right of ownership". Thus, Sullivan [22] shows that non-financial assets should be transformed into financial (physical assets) such as computer software and patent.

Allee [23] expanded the vision of IC into some groups such as business affiliation agreements and business relationship with partners, investors, customers, government and suppliers. Internal structures (IS), which refers to methods, work procedures that control competitiveness together with Information and Communication Technologies, the human competence (HC), the socialized citizenship (SC), the ecological health (EH) and Corporate identity (CI) are all considered as IC groups.

It is implied that, the above IC definitions have three shared elements i.e. structural capital, human capital and relational capital. However, Ismail [1] believed that IC needs a redefinition and he presented another definition along with a new model of IC. The difference between Ismail [1] models with the previous models is the inclusion of spiritual capital as a component of IC. In this definition, spiritual capital is located in the central of IC model and it has relationships with other capitals.

The compressive model of IC was presented by Ismail [1], indeed in his model and other three components (human, structural, relational capital) were common among them hence this study elaborates them and then the new component of IC in Ismail model (spiritual capital) will be discussed.

Human capital encompasses, "the knowledge, skills, competencies and attributes embodied in individuals that facilitate the creation of personal, social and economic well-being" [24, p.18]. According to Nerdrum and Erikson [25], the first economist who emphasized on some differences on labor quality and indentified human capital under the value of workers label in accounting for wealth, was William Petty in the seventeenth century. Capaldi *et al*. (1999)[26] noted that Adam Smith in his book "Wealth of Nations" advocates the influence of employees' skills, experience and knowledge on the output quality. In a stock market human capital is related to personal knowledge [27] and also it includes skill, experience, value, thinking assets, knowledge [28, 29, 30] and "capabilities of the individuals required providing solutions to customers") [31, p.76].

Structural capital is defined as the knowledge that stays within the firm at the end of the working day. It comprises of the organizational routines, procedures, systems, culture, databases, etc. Examples include organizational flexibility, a documentation service, the existence of a knowledge centre, the general use of information technologies, organizational learning capacity, etc [32].

Relational capital (RC) is the relationship between internal and external parties [28]; it is the relationship between company and its customer. RC reflects reputation of the firm and builds the customer loyalty [33, 34]. This capital is the relationship between organization and outsider [35]. In fact, this capital is knowledge within any relationship between organization and customers, supporters and government [23, 36].

The notion of "spiritual capital" remained ambiguous and only wide-ranged and broad explanation exist in the literary work. The paper will also examine few definitions of the term 'spiritual capital', (this was mentioned earlier as the objective of the paper) which have high citation in the literature and it will then lay down some particulars works examples on spiritual capital, which is the newer component of intellectual capital. Covey [37] stated that most of the papers in the first 150 years in the United States focused on what could be called the 'nature ethic' as the base of success, such things like honesty, modesty, loyalty, temperance, bravery, fairness and patience. The character ethics indicate that there are basic principles of effective living and that people can only experience true success and endure happiness as they learn and integrate these principles into their basic nature and live in harmony with them. Basic principles such as fairness, integrity, honesty, trust and human dignity are not practices or values but principles that are guidelines for human conduct that are proven to have enduring, permanent value.

In recent times issues relating to religion/belief with reference to understanding the spiritual capital were given prominence and the dimensions of spiritual capital were being investigated. For example, a few specifications relevant to social capital are power, impact, knowledge and dispositions generated through involving a specific religious ritual [38].

Fink (2003, p. 20) was of the opinion that, "the concept that something is gained from religious beliefs and involvement is hardly new". Thus social scientists have struggled since the beginning of this century to identify the role played by religion and in creating the modern society [38]. Weber [39] was of the view that religion was the fundamental factor of rationality and behavior. In the background of his Protestant Ethics and the Spirit of capitalism, Weber [39] argued that the values of independence, self-discipline and inner-world asceticism were nurtured by protestant Christianity.

In particular, spiritual capital (SpC) and its role on performance were studied by Ismail (2005) [1] in Malaysia. The author explained spiritual capital as:

> ``*The intangible knowledge, faith, belief and emotion embedded in the minds and hearts of individuals and in the heart of organization, which includes vision and direction, principles, values and culture. The individual and organization behave and act with honor, integrity, sincerity, honesty, truth, trust, love, moral and ethic*`` [1, p.9].

Ismail [1] shared the same definition of SpC as given by Zohar and Marshall [40] who defined SpC as a spiritual knowledge within individuals or culture. Spiritual capital is a special capital that follows religious capital. Spiritual capital sustains humanity and wealth, which maintain human spirit. The wealth of spirit is rooted in individual that can generate profit for a business.

Definition of Auditing and Auditor's Opinion: The term audit originates from Latin term of " to hear" because in the past auditors who were a representative of owners or those having authority, listened to the oral reports of responsible officials and conformed the validity of the report. Increase in financial statements' users was the main factor that necessitated the birth of auditing in the world. The first recorded auditors were spies of King Darius of ancient Persia (522 to 486 B.C). These auditors were regarded as "the Kings ears", checking on the behavior of provincial satraps [41].

The era of modern auditing started in 1844 with the approval of Joint Stock Companies Act by the British Parliament, through which it was required for the first time that the company director's report to stakeholders must be prepared by means of audited statement of financial health, the balance sheet. In 1844, it was not necessary for the auditor that to be an accountant or independent, however, in 20th century; a different Companies Act was approved according to which independent auditors are required [42].

American Institute of Certified Public Accountants AICPA [8] on review of Statement on Audit Standards (SAS) [43] explained that the definition of auditor's opinion could be:

"The auditor's opinion about the financial statements must either express as a whole, or mention that the judgment cannot be stated, in the report of the auditor. At the time of non-expression of auditor overall opinion, it is the responsibility of the auditor to give the reasons in the report. In any case if the name of the auditor is attached with financial statements, the auditor should openly specify the characteristics of the work done and the responsibility level, auditor is accepting, in the report".

IC and Auditing: Gray and Manson [44] cited that in conformity with Flint [45], the definition of the role of auditor is monitoring and securing accountability. For effective performance of this role some individual characteristics such as ethics, values and culture play instrumental roles [44, 46] because personal values are linked with auditor's decision-making [46]. Culpan and Trussel [47] on Enron case of bankruptcy in 2001 concluded that this bankruptcy was the result of an auditing firm's involvement with Enron's leadership to hide delinquency. Enron's auditors with their unethical decision-making crushed Enron stockholders and other beneficiaries [47]. Unethical auditor's behavior on Enron scandal put a severe dent on the reputation on many auditing firms [48, 49].

Abdullah and Sofian [10] in their review on the relationship between IC and internal auditors noted that Enron's failure was the result of individual's behavior and intentional dishonesty. They also emphasized that a part of these issues are embedded in internal auditor's human and spiritual capital dimension.

As reviewed, in IC definitions and its components some effective factors on auditors such as knowledge, skill, experience, ethics, culture and values are embedded in human and spiritual capital in new model of IC which suggested by Ismail [1].

Past Studies on IC in Auditing Area: Since there were few studies that described capitals of IC in auditing, the researcher has to consider some related factors such as ethics, moral, values, cultures as a subdivision of spiritual capital and, also knowledge, education, skill, experience and employee competency as human capital components. Thus, this study has reviewed them critically in two following separate parts.

Spiritual Capital Components: Among the spiritual's elements, there are some influential factors such as, ethics, moral, value and culture among indivduals and organizations that are considered by auditing and accounting scholars works such as Ashkanasy *et al*. [50], Hay *et al*. [51]; Dewing *et al*. [48] and Falk *et al*. [52]. Although the part of study is spiritual capital effects on auditor's opinion, previous works on auditting area are the reasons of these paricular factors as spiritual capital representatives.

According to Warming-Rasmussen and Windsor [53], due to the integrated business and existence of international investors, the auditors have to use international roles for presenting their opinion on a company. Therefore, The International Federation of Accountants (IFAC) Code of Ethics for Professional Accountants is another body that works on international guidelines on professional conduct and ethics. Auditors from different countries prefer to express their independent judgments based on ethics, honesty and ethical conduct because the reputation of auditors is associated with ethical decision-making and conduct. Two models of moral reasoning which is related to this study will be described in the next subsections.

Human Capital Components: Cheng *et al.* [54] revealed that HC has been considered as valuable assets in the public accounting firms. Thus, public accounting firms should train employees to work as per legal requirements, standards and public's anticipations. They ought to ensure that employees are provided with the desired expertise and professional skills. On the other hand, employees also expect the companies to develop a comprehensive human resource plan. After the bankruptcy of Enron and WorldCom, Sarbanes-Oxley Act (SOX) (2002) established Public Company Accounting Oversight Board (PCAOB). PCAOB has a special task of observing the quality control mechanism of each firm, assess the value of audit job on particular audits and evaluate either through peer or process concerned to audit quality and policies (Standard Advisory Group, 2004) [55]. The focus of PCAOB is also on evaluating individual training programs, assignments of responsibility, professional competency of partners, compliance with independent standards and assessing the policies for client satisfaction. This action from PCAOB shows that human resource management has an important role to play in audit quality [55].

The Financial Reporting Council (FRC, 2006) [56] stated in their published paper, "Promoting audit quality", that important factors which can determine auditor's quality include skills, auditor's training and individual qualities of partners and employees in audit firms. In accounting firms, the practice to increase competency and

expertise will promote quality of auditors and it will indicate that public accountancy companies are specialized service providing organizations with fair concerns on human resource management [54].

Scholars point out that some activities such as investment in HC, Continuing Professional Development (CDP), auditor's education and experience in different jobs; professional skills development and certification for public accountants can promote auditor's quality [57, 58, 59]. In this context, Liu [60] revealed that while analyzing the relationship between HC investment, legal obligation and auditor's quality, the role of HC has been ignored by the companies. Thus, the author suggests that major factors related with HC such as work experience, skills, professional certification, education levels should be considered by scholars.

In line with the above arguments, SAG [55] and FRC [56] observed the significance of HC managements among accounting firms. The bodies considered that these days the concern of public has changed from the quality of audited client to public accounting firms [54].

The Background of Spiritual Capital Components and Auditing: There is no doubt spiritual capital (SpC) is an emotional capital which is located into heart of individuals and organizations and it makes their characteristics in front of ethical dilemma. SpC is a significant issue among auditors and it has been rarely studied. On the basis of SpC definition, it is proven that factors such as culture, ethics, moral and personal values are attached to SpC. Thus it seems that it can be suitable for discovering gaps between SpC and auditing.

Leo *et al.* [61] comprehensively examined empirically performed researches with reference to ethical decision making till 1996. Fallon and Butterfield [62] extended Leo *et al*. [61] work and published a comprehensive review in this area. Both studies discussed moral cognitive as a personal factor and code of ethics as an organizational factor (or conduct). They concluded that the majority of the studies agreed that expressed codes could influence ethical decision-making and ethical judgment.

In ethics and moral studies review, Leo *et al*. [61] and Fallon and Butterfield [62] reported that there are several examinations on Cognitive Moral Development (CMD) in different areas of business, however, these studies are limited to the areas of accounting and auditing.

Similarly, Sweeney and Roberts [63] observed the impact of moral reasoning on an auditor's impartial decisions. They used three hundred audit experts from public sector accounting companies and clustered them according to their size; large size group contain six large sized multinational firms, medium size group contains firms having nationwide network and small size group contains indigenous companies. With the help of DIT research instruments developed by Rest [64], it was concluded that the cognitive moral developments levels affect the auditor's impartial attitude. In addition, moral values of the audit company may also influence auditor's impartiality and auditor's deliberation of client's problems.

Tsui [65] observed the association amongst the ethical reasoning stages and ethical behavior among CPA auditors in problematic state. DIT was the tool used to measure the process of making decisions at the time of auditor-client dispute, on claimants from Hong Kong. The CMD theory by Kohlberg *et al*. [66] was the source to study the processes of cognitive and human decision-making in order to influence the ethical behaviors whereas, Hofstede's (1980) theory of culture was considered for evaluating the ethical rationality of the auditor based on the cultural contexts. The study revealed that the advanced stage of ethical thinking continue on individual belief and high ethical thinking level is relevant to the attitudes that are more independent. It was also observed that the level of P score amongst the research sample is low than the participants from USA.

Falk *et al*. [52] checked the auditor flexibility and values in their research by adopting Kohlberg concept and DIT test as a tool. They analyzed how people under study uncovered their beliefs at some unidentified conditions. Their controlled lab research composed of three groups; 1) group with no risk of losing clientele, 2) group with risk of losing clientele and 3) chance of losing clientele with outside intervention and fines. They concluded that the development level of ethical thinking could influence the independent reasoning. Nonetheless, the risk of losing clientele and economic effects can impact auditor's impartiality even though there are the outside reviews or the possible charges on the auditor's judgment.

Valentine and Fleischman [67] examined the link between ethical values and professionals' patience towards social multiplicity. They took a sample of 143 professionals, from the professions of business and law and used ANCOVA tool to analyze the relationship.

The results exhibited that the auditors who have affiliation with the companies with ethical values, were easygoing of social multiplicity as compare to others. Hence, the firms should develop ethical values and standards among their employees in order to develop the awareness regarding the professional ethics which make them competitively at the advantageous position over the other forms.

Radtke [9] investigated the role of morality in the accounting profession and its results on all groups of clients. He also had a comparison among the morality role of professional accountants, physicians and attorneys. The 500 participants were selected from the groups of accounting professionals, medical professionals and law professionals. They have been evaluated by code of ethics, which related with their special fields. The results of this study showed that accountants were disagreeing with the role of morality in their works. Furthermore, medical professionals agree the least role of morality whereas the most of attorneys agreed with the role of morality effects on their jobs.

In an experimental study, Bennie and Pflugrath [68] designed an audit scenario for testing the influence of the power of ethical atmosphere in public accounting firms on the quality of ethical judgment. The respondents were selected among audit managers and audit seniors having greater than 12 years of experience from Big Four firms. The authors employed ANOVA to analyse the data. It was found that managers are more sensitive to the degree of power ethical atmosphere or ethics code than senior auditors. However, the quality of judgment was the same in both kinds of subjects. They suggested that accounting firms should be careful on ethical principle and ethical codes.

In a quantitative approach study in Iran, Modarres and Rafiee [69] tested some factors that can influence ethical decision-making among accountants. The sample of study was chosen among professional accounting students and they explored the factors that can influence ethical decision among the level of Iranian accountants. They found that gender, education, work experience and familiarity with Code of ethics could affect ethical decision-making.

Cohen *et al*. [70] examined the cultural effect on perception of auditors' ethical decision-making within the multinational public accounting firms in Latin America, United States and Japan. They expected that Hofstede's Cultural dimensions influence ethical decision-making and they found that in accordance with culture, the evaluation of ethical dilemma among people was different. Hence, their actions in ethical crisis were unlike other colleagues.

Arnold *et al*. [71] investigated the effect of national culture on the perception of code of conduct in European perspective among accountants. Similar to prior study, the scholars also used Hofstede's [72] cultural dimension theory as a supporting theory and they examined the implementation of an ethical behaviour related to culture in different countries. The individuals who participated in the study, were from eight European countries. They reported that there was a relation between the country's culture and the percaption of ethical action. Indeed, accountants in the eight countries had different ideas on ethical activity. The result of the examination also indicated that country differences is associated with Individualism and Masculinity dimension in Hofstede theory.

Beekun *et al.* [73] explored ethical decision-making processes in the United States and Egypt. In the study, they investigated the relationship amid ethical decision-making and national culture in business context. They examined individualism / collectivism and power distance as two dimensions of Hofstede's national culture that concerned with ethical behavior. They concluded that U.S participants were individualists and low in strength and distance in ethical decision. Egyptians and Americans' ethical behaviors rely on utilitarianism, justice and relativism and when the behavioral intentions of peers are examined, American substitute egoism for justice.

Shafer *et al.* [74] investigated the individual value effects on auditors' ethics based decisions. The authors explored the role of personal value on the process of ethical decision. In the study, AICPA members were assessed by their value preferences and actions when they faced client pressure to report on financial statements. Rokeach (1979) value survey, Jones's (1991) model and also four constituents of ethics based decision making by Rest [75] were applied to study the impact of values on ethics based decisions.

The result specified that in contrast to the assumption, individual value choices did not affect auditors' views of the ethical power of the ethical dilemma. The conclusions also proposed that individual value choices, as calculated by the Rokeach Value Study (RVS), do not affect ethics based decision in auditing designs of ethic based decision making. On the other hand, the circumstantial aspects like business or professional requirements have a significant effect on conduct in business situations. However, individualistic variations have a substantial effect on auditing conclusions.

In the same vein, Karacaer *et al.* [46] followed the research model of Shafer *et al*. [74] who identified the impact of individualistic values on auditor's ethics based decisions by selecting the sample of auditing professionals from Pakistan and Turkey. In addition, they examined the impact of auditors' value inclinations and client's stress on violent financial statements reporting. They found that the mean of moral sensitivity is the same in two surveyed countries. Moreover, the scholars found that there are substantial variances among the components of values in Turkey and Pakistan. They described that both moral decisions and behavior intents are affected by awareness of ethical strength.

Similarly, Trevino *et al.* [76] surveyed the impact of ethical context on employee attitude and their behavior. The authors categorized ethical context into ethical climate [77] and ethical cultures [78]. The sample of study was 1179 alumni of five universities who worked in different sections of business in Northeastern of the United States. At first, they compared ethical climate with ethical culture and then investigated their influence on employees. The result of investigation showed that although these factors are somewhat different from each other, they are strongly related with ethical context. The authors also found that ethical climates are associated with observation of unethical conduct in non-code organization and culture climates are associated with observation of unethical conduct in code organizations. Finally, it was concluded that ethical context can affect organizational commitment in all parts of company.

Flannery and May [79] also examined the influence of individuals and context ethics on environment ethical decision. The authors applied the Ajzen's [80] behavior theory and Jones's (1991) moral intensity theory as supporting theories. The sample was selected from Metal-Fishing managers in the United States. The authors found that moral intensity have an adjustment role on the relationship among climate, financial cost and self efficiency as a part of behavioral theory and environment of managers.

The Background of Human Capital Components and Auditing: Cheng *et al.* [54] investigated the relationship among HC and auditor's quality in public accounting firms. In this study, they examined 4865 public firms from 1989 to 2004. Findings showed that investment on HC leads to higher quality and firms maintained their auditor's quality through quality education, CPE, professional training and experience. In other words, there was a positive relationship between HC and "auditor's quality" in public accountancy companies.

In terms of another perspective, Bröcheler *et al*. [81] studied the effect of both education and experience on audit firm's survival. This study explored 1693 Dutch audit firms during the period of 1930-1992. The technique of study was "Event history analysis" and they applied human capital theory as a supporting theory. The results of the examination showed that education has positive effect on firm performance in foundation and during the lifetime while the role of experience is positive on firm performance at the beginning and it has negative influence on firm performance during lifetime.

In a multipurpose study, Libby and Frederick [82] investigated how experience and knowledge differences among auditors can help them to discover and explain financial statement's errors. The participants of research were 61 audit managers with five years of experience, 65 audit staff with minimum one-year experience and 70 senior auditing students without audit experience. The review applied Libby's [83] hypothesis generation task and the instrument was questionnaire. The questionnaire was categorized into two sections; first section asked the age, experience and the level of education, while the second section presented 12 financial statements that participants have to rate. They found that more experienced auditors have higher level of knowledge about financial statement errors and they can find more errors than those who have lower experience in auditing. They also discovered that experienced auditors categorized their knowledge along different dimensions.

Criticism and Discuss: Review work on past studies in the field of auditing indicates that there was no exploration under the terms of spiritual capital and auditing. In additional, human capital consideration in this area was comprised a few studies. Thus this paper has some following critiques and suggestion on past studies to improve studies in future:

- Although some previous explorations have administrated Kohlberg's theory, some scholars such as Gilligan [84] stated that Kohlberg's concept is based on empirical results using only male individuals. Gilligan [84] suggested that it did not effectively explain the issues in ethical progression between sexes. This critique is managed by using

DIT, which includes female as participant. This study will take both sexes in to consideration. As described above, there are some critiques on instruments, theories and samples. Hence, the paper proposed that a study will be conduct in the attempt to apply appropriate instruments, theories and sample accordingly.

- Although in previous studies, authors have shown the relationship between individual ethical levels of conduct, yet there are still few empirical studies in audit firm's context. Similarly, scholars have presented some issues in ethical climate context but they did not prescribe any solution. These unresolved issues include: lack of study under spiritual capital in organizational view on independent auditors, the differences between ethical climate and ethical culture's outcomes [79]. Therefore, this study will investigate the relationship between "ethical context" and auditor's opinion.
- As experience is a component of HC, authors detected the influence of experience on the ability of auditors to find errors on financial statement and some of them like Bröcheler *et al*. [81], searched on how experience can help an audit firms to survive in the market. This paper is motivated by the lack of evidence on effect of experience (HC component) on independent auditor's opinion.
- As mentioned above, the main weakness of past researches is the lack of rich studies on the effect of education, skill, employee's competence and work experience on independent auditor's opinion. The paper will therefore, attempt to fill this gap.

As mentioned, the components of SpC are located into the hearts of individuals and organizations; hence the final definition of SpC in this paper includes two parts; Spiritual capital individual view (SpCi) consists of some individuals' moral, ethics, culture and personal values that can affect auditor's opinion and the second is spiritual capital organizational view (SpCo). SpCo introduces the effect of audit firm atmosphere such as ethical climate and ethical culture climate on auditors' judgment. These two capitals will be elaborated into auditing area in another paper.

REFERENCES

1. Ismail, M.B., 2005. The influence of intellectual capital on the performance of Telekom Malaysia, Phd dissertaion. University Teknology Malaysia.
2. Jones, S., 2005. Exploring the global marketplace: Succeeding locally involves thinking globally. Journal of Accountancy, 200(4). Retrieved from www.amazon.com.
3. Becker, C.L., M.L. De Fond, J. Jiambalvo and K.F. Subramanyam, 1998. The effect of audit quality on earnings managemen. Contemporary Accounting Research, 15(1): 1-24.
4. Gul, F.A., 1991. Size of Audit Fees and Perceptions Of Auditors' Ability To Resist Managment Pressure in Audit Conflict Situations,. ABACUS, 27(2): 162-170.
5. Pany, K. and M.J. Reckers, 1988. Auditor Performance of MAS: A Study of Its Effects on Decisions and Perceptions. Accounting Horizons, 55: 31-38.
6. Chen, Y.S., Bao-Ghand and C.C. Lee, 2008. The Association Between Continuing Professional Education and Financial Performance of Public Accounting Firms. The International of Human Resource Management, 19(9): 1720-1737.
7. Banimahd, B., 2011. Investigation of Some Determinants on Unqualified Audit Opinion Quarterly Journal of Securities Exchange, 1(3): 59-83.
8. AICPA, 2006. Revised Reports on Audited Financial Statements (1989), Statement on Auditing Standards (SAS) AU Section 508, (Vol. 58,64,99,113).
9. Radtke, R.R., 2008. Role Morality in the Accounting Profession-how do we compare to physicians and attorneys? Journal of Business and Ethics, 79: 279-297.
10. Abdullah, D.F. and S. Sofian, 2009. Intellectual capital: It is time Malaysian companies get acquainted. Accountants Professionalism, 22(7): 22-24.
11. Bontis, N., W.C. Keow and S. Richadson, 900. Intellectual Capital and Business Performance in Malaysian Industries. Journal of Intellectual Capital, 1(1): 85-100.
12. Usoff, C.A., J.C. Thibodeau and P. Burnaby, 902. The Importance of Intellectual Capital and its Effect on Performance Measurement Systems. Managerial Auditing Journal, 17(1/2): 9-15.
13. Stewart, T., 1999. Intellectual capital. New York: Doubleday.
14. Sveiby, K., 2002. Methods for measuring intangible assets. from www.sveiby.com/articles/Intengible Methodes.htm.
15. Petty, R. and J. Guthrie, 900. Intellectual capital literature review measurment, reporting and managment. Jounal of Intellectual Capital, 1(2): 155-176.

16. Ahmed, A. and K. Hussainey, 2010. Managers' and auditors' perceptions of intellectual capital reporting. Managerial Auditing Journal, 25(9): 844-860.
17. Anghel, I., 2008. Intellectual Capital and Intangible Assets Analysis and Valuation. Theoretical and Applied Economics, 3(59): 75-84. Retrieved from http://www.ectap.ro.
18. Drucker, P., 2003. Post-capitalist society New York: Harper Business.
19. Mangena, M., R. Pik and J. Li, 2010. Intellecual capital disclosure practices and effects on the cost of equity capital: UK evidance,Reaserch Report, . Edinburgh: The Institute of Chartered Accountants of Scotland.
20. Tayles, M., R.H. Pike and S. Sofian, 2007. Intellectual Capital, Management Accounting Practices and Corporate Performance: Perceptions of Managers. Accounting, Auditing & Accountability Journal, 20(4): 522-548.
21. Edvinsson, L. and P. Sullivan, 1996. Developing a model for managing intellectual capital. European Management Journal, 14(4): 356-364.
22. Sullivan, P.H., 2000. Value-Driven Intellectual Capital: How to Convert Intangible Corporate Assets into Market Value. New York: Wiley.
23. Allee, V., 2000. The Value Evolution, Addressing Larger Implications of an Intellectual Capital and Intangible Perspective. Journal of Intellectual Capital, 1(1): 17-32.
24. OECD, 2001. The Well- Being of Nations: The Role of Human and Social Capital. Paris: OECD.
25. Nerdrum, L. and T. Erikson, 2001. Intellectual capital: A human capital perspective. Jounal of Intellectual Capital, 2(2): 127-135.
26. Capaldi, N., G. Lloyed and A. Smith, 1999. Wealth of Nations: Wiley Online Library.
27. Bontis, N., 2001. Managing Organizational Knowledge by Diagnosing Intellectual Capital: Framing & Advancing the State of the Field. New York: Oxford University Press, Inc., pp: 621-642.
28. Roos, J., G. Roos, N. Dragonetti and L. Edvinsson, 1997. Intellectual Capital: Navigating in the new business landscape. London: Macmillan Business.
29. Skandia, 1994. Visualising Intellectual Capital in Skandia. A supplement to Skandia's 1994 Annual Report. Sweden: Skandia.
30. Sullivan, P.H., 1998. Profiting from Intellectual Capital; Extracting Value from Innovation. New York: John Wiley & Sons Inc.
31. Stewart, T., 1999. Intellectual capital. Currency Doubleday. New York.
32. MERITUM, 2002. Guidelines for managing and reporting on intangibles (Intellectual capital report). Madrid: Airtel-Vodafone Foundation.
33. Bourdieu, P. and Wacquant, 1992. The Channeling Zone: Amrican Spirituality in an Anxious Age.Unpublished manuscript, Cambridge.
34. Mayo, A., 2000. The Role of Employee Development in the Growth of Intellectual Capital. Personnel Review, 29(4): 521-533.
35. Edvinsson, L. and M.S. Malone, 1997. Intellectual Capital: The Proven Way to Establish Your Company's Real Value by Measuring Its Hidden Brainpower. London: Judy Piatkus.
36. Bontis, N., 1998. Intellectual Capital: An Exploratory Study That Develops Measures and Models. Management Decision, 36(2): 63-76.
37. Covey, S.R., 1989. The Seven Habits of Highly Effective People, Powerful Lessons in Personal Change. New York: Simon & Schuster.
38. Berger, P.L. and R.W. Hefner, 2003. Spiritual Capital in Compartive Perspective. Boston University: Institute for Study of Economic Culture,Institute on Religion and World Affairs.
39. Weber, M., 2003. The Protestant Ethic and the Spirit of Capitalism. Los Angeles, California: Roxbury Publishing Company.
40. Zohar, D. and I. Marshall, 2004. Spiritual Capital: Wealth We Can Live. San FranciscoBerret-Koehler Publishers Inc.
41. Shahbazi, S., 1996. "Darius I the Great", *Encyclopedia Iranica* (Vol. 7). New York: Columbia University.
42. Watts, R.L. and J.L. Zimmerman, 1983. Agency Problems, Auditing and the Theory of the Firm: Some Evidence. Journal of Law and Economics, 26(3): 613-633.
43. Statement on Auditing Standard, 1989. Reports on Audited Financial Statements AU Section 508 (Vol. 58,64,99), New York; AICPA.
44. Gray, L. and S. Manson, 2005. The audit process,principles, practice and cases. London: nternational Thomson Business Press.
45. Flint, D., 1988. Philosophy and principles of auditing an introduction basingstoke: Macmillan Education Ltd.
46. Karacaer, S., R. Gohar, M. Aygün and C. Sayin, 2009. Effects of personal values on auditor's ethical decisions: A comparison of Pakistani and Turkish perofessional auditors. Journal of Business Ethics, 88(1): 53-64.

47. Culpan, R. and J. Trussel, 2005. Applying the Agency and Stakeholder Theories to the Enron Debacle: An Ethical Perspective. Business and Society Review, 110(1): 59-76.
48. Dewing, L.P. and P.O. Russell, 2004a. Accounting, Auditing and Corporate Governance of European Listed Countries: EU Policy Developments Before and After Enron. JCMS: Journal of Common Market Studies, 42(2): 289-319.
49. Carcello, J.V., D.R. Hermanson and K. Raghundan, 2005. Changes in Internal Auditing During the Time of the Major US Accounting Scandals. International Journal Auditing, 9(2): 117-127.
50. Ashkanasy, N.M., C.A. Windsor and L.K. Trevino, 2006. Bad apples in bad barrels revisted: cognitive moral development, just world beliefs, rewards and ethical decision making. Business Ethical Quarterly, 16(1): 449-473.
51. Hay, D., L.P. McCourt, O. Peter and F. Andrew, 2001. The Ethical Perception of Undergraduate Students in Computer-Related Situations: An Analysis of the Effects of Culture, Gender and Prior Education. Teaching Business Ethics, 5(3): 331-356.
52. Falk, H., B. Lynn, S. Mastelman and M. Shehata, 1999. Auditor independence, self-interested behavior and ethics: some experimental evidence. Journal of Accounting and Policy, 18: 935-428.
53. Warming-Rasmussen, B. and C.A. Windsor, 2003. Danish Evidence of Auditors' Level of Moral Reasoning and Predisposition to Provide Fair Judgements. Journal Business and Ethics, 47: 77-87.
54. Cheng, Y.S., Y.P. Liu and C.Y. Chien, 2009. The association between auditor quality and human capital. Managerial Auditing Journal, 24(6): 523-541.
55. Standard Advisory Group, 2004. Potential standards quality control standards, Paper peresented at PCAOB Standing Advisory Group Meeting Washington DC.
56. FRC, 2006. Promoting audit qulity, dicussion paper, Financial Reporting Council. London.
57. Aldhizer, G.R., J.R. Miller and J.E. Moraglio, 1995. Common attributs of quality audits. Journal of Accountancy, 179(1): 61-68.
58. Meinhardt, J., J.F. Moraglio and H.I. Steinberg, 1987. Governmental audits: an action plan for exceleence. Journal of Accountancy, 164: 86-91.
59. Westort, P., 1990. Investments in Human Capital by Accountants in Public Practice. Ph.D. Thesis, University of Oregon, Eugene. U.S.A.
60. Liu, C., 1997. Legal liability,human capital investment and audit quality, Phd dissertaion. University of National Taiwan University, Taipei.
61. Leo, T.W., L. Ferrell and P. Mansfield, 2000. A review of empirical studies assessing ethical decision-making in business. Journal of Business and Ethics, 25: 185-204.
62. Fallon, M.J.O. and K.D. Butterfield, 2005. A review of the empirical ethical decision-making literature:1996-2003. Journal of Business and Ethics, 59: 375-413.
63. Sweeney, J.T. and R.W. Roberts, 1997. Gognitive Moral Development and Auditor Independence. Accounting Organization and Society, 22: 337-352.
64. Rest, J.R., 1979. Rivised Manual for the Defining Issuees Test: An ObjectiveTest of Moral Judgment Development Unpublished manuscript, Minneapolis.
65. Tsui, J.S.L., 1996. Auditors' Ethical Reasoning: Some Audit Conflict and Cross Cultural Evidence. The International Journal of Accounting, 31(1): 121-133.
66. Kohlberg, L., 1969. Moral Stages and Moralization: The Cognitive-Developmental Approach. In Moral Development and Behavior: Theory, Research and Social Issues. New York: Holt Rinehart and Winston.
67. Valentine, S. and G. Fleischman, 2002. Ethics Codes and Professionals' Tolerance of Societal Diversity. Journal of Business Ethics, 40: 301-312.
68. Bennie, N.M. and G. Pflugrath, 2009. The strength of an accounting firm's ethical environment and the quality of auditors' Judgments. Journal of Business Ethics, 87: 237-253.
69. Modarres, A. and A. Rafiee, 2011. Influencing factors on the ethical decision making of Iranian accountants. Social Responsiblity J., 7(1): 136-144.
70. Cohen, J.R., L.W. Pant and D.J. Sharp, 1995. An Exploratory Examination of International Differences in Auditors' Ethical Perceptions, 7(1): 37-64.
71. Arnold, D.F., R.A. Bernardi, P.E. Neidermeyer and J. Schmee, 2006. The effect of country and culture on perceptions of appropriate ethical actions prescribed by code of conduct: a western European perspective amnog accountants. Journal of Business and Ethics, 70: 327-340.
72. Hofstede, G.H., 1980. Culture's Conseqences: International Differences in Work-Related Values. Beverly Hills: Sage.
73. Beekun, R.I., R. Hamdy, J.W. Westernman and H.R.H. Elnaby, 2008. An exploration of ethical decision-making processes in the United States and Egypt Journal Business and Ethics, 82: 587-605.

74. Shafer, W.E., R.E. Morris and A.A. Ketchand, 2001. Effects of personal values on auditors' ethicals' decisions Accounting, Auditing and Accountability Journal, 14(3): 254-277.
75. Rest, J.R. and S. Thoma, 1985. Relation of moral judgment development to formal education. Developmental Psychology, pp: 709-714.
76. Trevino, L.K., 1986. Ethical Decision Making in Organizations: A Person Situation Interactionist Model Academy of Management Review, 11(3): 601-617.
77. Victor, B. and J.B. Cullen, 1987. A Theory and Measure of Ethical Climate in Organizations. In W.C. Frederick, ed., Research in Corporate Social Performance and Policy. Greenwich: JAI Press.
78. Trevino, L.K., K.D. Butterfield and D.L. McCabe, 1998. The Ethical Context in Organizations: Influences on Employee Attitudes and Behaviors. Business Ethical Quarterly, 8(3): 447-476.
79. Flannery, B.L. and D.R. May, 2000. Environmental ethical decision making in the U.S. Metal-Finishing industry. Academy of Management Journal, 43(4): 642-662.
80. Ajzen, I., 1991. The theory of planned behavior. Organizational Behavior and Human Decision Processes, 50: 179-211.
81. Bröcheler, V., s. Maijoor and A.V. Witteloostuijn, 2004. Auditor human capital and audit firm survival the Dutch audit industry in 1930-1992. Accounting Organization and Society, 29: 627-646.
82. Libby, R. and D.M. Frederick, 1990. Experince and the ability to explain audit findings. Journal of Accounting Research, 28(2): 348-367.
83. Libby, R., 1985. Availability and the generation of hypotheses in analytical review. Journal of Accounting Research, pp: 648-667.
84. Gilligan, C., 1982. In a Different Voice: Women's Conceptions of Self and Morality. Harvard Educational Review, 47(4): 481-517.