

THE IMPACT OF AUDITOR'S EMOTIONAL INTELLIGENCE AND LEADERSHIP STYLE ON AUDIT QUALITY: A STUDY OF AUDIT TEAM GOVERNANCE

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Abstract

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This study aims to investigate the impact of auditors' emotional intelligence (EI) and leadership styles in the audit team on audit quality (AQ) and explore the mediating role of team trust (TT) in this relationship. The data for this study were collected through a questionnaire with 246 responses from auditors working for independent audit firms in Vietnam. From the obtained data, we conduct processing and quantitative analysis through a Statistical Package for the Social Sciences (SPSS) v. 26 and Analysis of Moment Structures (AMOS) v. 24 software. The results of the research indicate that EI not only has a direct positive effect on AQ but also indirectly influences AQ through the mediating role of TT. Moreover, among the three leadership styles, only two, namely transformational leadership (TF) and transactional leadership (TL) have a positive impact on AQ whereas laissez-faire leadership (LL) has a negative on AQ. Additionally, TT just plays a mediating role in the relationship between TF and AQ. These results not only reinforce previous findings on the importance of EI, and leadership style to AQ (Zhao et al., 2022; Mohassel et al., 2023) but also emphasize the role of trust in the audit team in improving AQ. The findings of this research provide a foundation for audit firms to formulate appropriate policies aimed at enhancing AQ, contributing to the development of the auditing sector in Vietnam.

Keywords: Audit Quality, Emotional Intelligence, Leadership Style, Team Trust

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1. INTRODUCTION

In recent years, the audit industry has been facing major challenges posing threats to its credibility and reputation. A series of accounting scandals around the world have caused financial crises to sustain economic activity in general and made the public gradually lose faith in the quality of independent auditing in particular (Jalles, 2023). These include the scandal of Ernst & Young (EY) Germany when it did not directly confirm Wirecard's deposits with the bank (Storbeck et al., 2020), the scandal of Deloitte China when it failed to detect the actual state of the underlying assets and overlook the missing approval of large investments of China Huarong Asset Management ("Deloitte hit by record China fine", 2023), as well as fraudulent financial reporting of Bong Bach Tuyet, Vien Dong Pharmaceutical Joint Stock Company, Truong Thanh furniture corporation related to the scandals of TDK, International Auditing Company Limited (iCPA), Hanoi Profession of Auditing And Accounting Company Limited (CPA Hanoi), and DFK Vietnam (Ta, 2018; Suong, 2018). These scandals have exposed flaws in the audit process and created a series of negative impacts on the industry's reputation. Therefore, auditors must constantly improve their professional knowledge and skills to ensure the quality of services provided. However, auditors' job performance depends not only on their professional capacity but also on their emotional intelligence (EI) and leadership abilities (Desai et al., 2024; Do et al., 2023; Kaabi, 2023; Khikmah et al., 2023).

EI and leadership style were chosen as the focus of this study as they directly affect effective interaction, communication and teamwork among auditors — utmostly essential soft skills when clients and stakeholders demand not only expertise but also professionalism, communication skills and ethical behaviour from auditors. Additionally, the mediating role of team trust (TT) between these relationships is investigated to add depth to the study. TT facilitates open communication, knowledge sharing, and mutual support. It acts as a conduit, converting the positive influence of EI and leadership style into teamwork, increased collaboration, and fostering an environment in which auditors feel comfortable questioning assumptions, discussing uncertainties, and challenging each other's judgments, all of which contribute to the improvement of audit quality (AQ).

There is an increasing demand for reliable auditing services due to the increase in the scope of operations and complexity of businesses as well as business transactions in the face of increasing public doubts about AQ after high-profile scandals, therefore, research on AQ is advantageous and needed. Previous studies have found the impact of EI and leadership style on AQ (Kusuma & Sukirman, 2017; Maleki & Saedi, 2022; Zhao et al., 2022,), trust (Barczak et al., 2010; Sedrine et al., 2020). However, the relationship between these factors has not been thoroughly examined, especially the mediation of TT between EI and leadership style with AQ in the context of audit teams. Therefore, this study proposes a research framework that aims to investigate the complex relationships between EI and leadership style on AQ, as well as the mediating role of TT in this relationship. Furthermore, previous

studies often only mentioned one or two individual types of leadership styles, rather than following any normative model. In addition, each country has its own cultural, economic, and political characteristics, which affect organizational culture and leadership style. Research in Vietnam will take on new meaning due to this difference. Therefore, the key research questions of this study are as follows:

RQ1: How do the auditors' emotional intelligence and the leadership style in the audit team impact directly audit quality?

RQ2: How do the auditors' emotional intelligence and the leadership style in the audit team impact audit quality through the mediating role of team trust?

To solve these two problems, based on the combination of the literature on the social cognitive theory (SCT) (Benight & Harper, 2002), affective events theory (AET) (Weiss & Cropanzano, 1996) and the research models proposed by Shen and Chen (2007) and Zhao et al. (2022), this study established a theoretical model to explain the relationship between EI, leadership style and AQ, and analyzed the mediating role of TT in the impact of AQ. The research team conducted an online survey using an online questionnaire on Google Forms and sent the link to the auditors. After the data collection process ended, the team conducted a quantitative analysis to test the proposed hypotheses.

The research results will help the team provide appropriate policy implications to improve AQ at auditing companies in Vietnam. This will contribute to improving the performance and reliability of audit services, meeting the increasing requirements of customers and the market.

This paper includes the following sections. Section 2 reviews the relevant literature on EI, leadership styles, TT and AQ. Section 3 details the methodology used to conduct the empirical research, including the design of the questionnaire and data collection process. Section 4 presents the results of the study, including statistical analyses and findings. Section 5 provides a discussion of the results and Section 6 concludes the paper.

2. LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

2.1. The impact of emotional intelligence on audit quality and the mediate role of team trust

EI is conceptualized as comprising four factors: "the ability to perceive, appraise, and express emotions; the ability to use emotions to facilitate thinking; ability to understand and analyze emotions; and the ability to regulate the emotions of self and others" (Mayer & Salovey, 1997, p. 8).

Kusuma and Sukirman (2017) suggested that auditors with high EI and good experience will have an easier time in the audit process, which will lead to good AQ. Maleki and Saedi (2022) also have the same view when affirming that EI has a positive impact on auditor performance. The results of the studies of Aamir et al. (2018), Zhao et al. (2022), and Yulianti et al. (2023) show that auditors' EI negatively affects AQ reduction behaviour. In particular, the EI of the audit team can help improve AQ by minimizing the tendency of auditors

to engage in behaviours that reduce AQ (Zhao et al., 2022). Therefore, this study proposes the following hypothesis:

H1: Auditors' emotional intelligence has an impact on audit quality.

Moreover, EI significantly impacts trust within an audit team by enabling individuals to understand and manage emotions effectively, which creates a supportive and cooperative environment. High EI allows audit team members to recognize and address emotional cues, foster open communication and reduce misunderstandings as well as solve doubts and suspicions quickly, which leads to the development of trust (Barczak et al., 2010), communication. According to the AET, employees' work-related attitudes and behaviours can change according to the flow of their emotional experiences. Therefore, the trusting environment will encourage the sharing of professional knowledge and insights among team members, they will support each other's efforts and coordinate their actions efficiently. By promoting cooperative relationships among members, trust plays an important role in increasing group performance (Pinjani & Palvia, 2013), thereby improving AQ. The studies conducted by Abid et al. (2021) and Shafique and Naz (2023) indicated an indirect association between team EI and performance through TT.

H2: Team trust plays the mediator in the relationship between emotional intelligence and audit quality.

2.2. The impact of leadership style on audit quality and the mediate role of team trust

Leadership style can be defined as the "behaviour pattern that a person exhibits when attempting to influence the activities of others as perceived by those others" (Hersey & Blanchard, 1993, p. 129). Leadership style is expressed through employee evaluation of the leader's behaviour and attitude in directing, guiding, motivating and influencing employees in the industry (Zawawi et al., 2019). According to Serrat's (2021) full-range leadership model, there are three types of leadership styles including transformational leadership (TF), transactional leadership (TL), and laissez-faire leadership (LL). In particular, TF aims to inspire and motivate followers to meet objectives that go beyond their personal interests. TL is an exchange process based on the fulfilment of contractual obligations and is often expressed in terms of setting objectives as well as monitoring and controlling results. Meanwhile, LL avoid making decisions, abdicate responsibility, and do not exercise their authority. This leadership model is identified by scholars as "the mainstream in leadership research" (Stordeur et al., 2001, p. 535). Kirkbride (2006) also stated that "the FRL [full range leadership] model is probably the most research and validated leadership model in use world-wide today" (p. 23).

When Nelson et al. (2016) explored the relationship between leadership style and willingness to raise audit issues in auditors in the United States, the authors concluded that the more team spirit leaders have, the more auditors' willingness to speak up about audit issues will be enhanced, thereby contributing to the improvement of AQ. Studies by Otila and Kyongo (2017) and Mohassel et al. (2023) showed that TF style has a significant and positive

impact on work performance at audit firms as well as AQ. Another study by Basit et al. (2017) concluded that LL style has a positive and significant impact on employee performance as well as AQ. However, Li et al. (2019) research results show that the LL style negatively affects supervisor-rated employee performance. Kalsoom et al. (2018) indicated that transactional leaders can motivate employees to effectively achieve organizational goals through the distribution of rewards, recognition or application of punishment, thereby contributing to the improvement of job performance as well as AQ. The results of studies by Febriana et al. (2021) and Karim et al. (2022) indicate that leadership style has a positive impact on AQ. Therefore, this study proposes the following hypothesis:

H3a: Transformational leadership style has an impact on audit quality.

H3b: Transactional leadership style has an impact on audit quality.

H3c: Laissez-faire leadership style has an impact on audit quality.

SCT indicates that social influences regulate and develop people's expectations, beliefs, emotional tendencies, and cognitive abilities in the form of modelling, social guidance and persuasion, whereas expectations, beliefs, self-perceptions, goals, and intentions shape and guide behaviour. In particular, social influence can come from the working environment, specifically influence from superiors and is expressed through leadership style. Therefore, trust in a team can be fostered by relationship-oriented leadership behaviours, such as helping, being willing to communicate openly, and being emotionally accessible, which is the foundation for high-quality relationships among team members and the team's efficiency. Sedrine et al. (2020), Jain (2022), and Makaronis (2022) show that leadership style has a significant impact on TT. Meanwhile, trust in groups has a positive impact on group members' attitudes, group information processing, and group performance (Breuer et al., 2016), increasing the effectiveness of the group. Audit procedures (Zhao et al., 2022), thereby improving AQ. We propose the following hypothesis:

H4a: Team trust is the mediator in the relationship between transformational leadership and audit quality.

H4b: Team trust is the mediator in the relationship between transactional leadership and audit quality.

H4c: Team trust is the mediator in the relationship between laissez-faire leadership and audit quality.

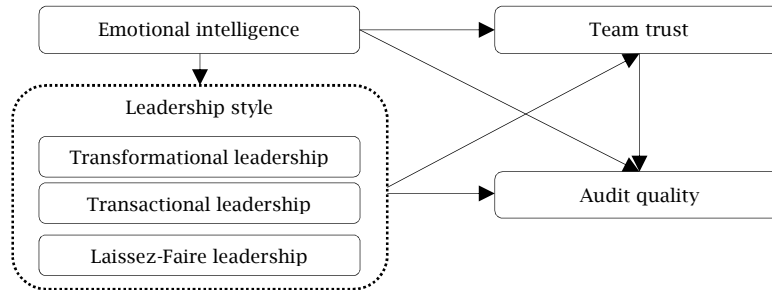
3. RESEARCH METHODOLOGY

3.1. Research models

Based on the theories presented above and the research models proposed by Shen and Chen (2007) and Zhao et al. (2022), the authors suggest the research model on the impact of an auditor's EI and leadership style on AQ, as illustrated in the figure below.

- Independent variables include four factors: EI, TF, TL, and LL.
- Dependent variable: AQ.
- Mediating variable: TT.

Figure 1. Research model



Source: Authors' elaboration.

3.2. Selection and measurement of variables

In the research study, all variables, including EI, leadership styles, TT, and AQ, are measured using a questionnaire employing a Likert scale ranging from 1 – “Strongly disagree” to 5 – “Strongly agree”.

The Likert scale allows participants to express the extent of their agreement or disagreement with various statements related to each variable. This method ensures a standardized approach to capturing subjective perceptions, facilitating the analysis of relationships between these key factors in the study.

Table 1. Summary of variables and measurement scales

Factor	Observed variable	Content	Proposed foundation
Emotional intelligence (EI)	EI1	Self-emotion appraisal (SEA)	Wong and Law (2002), Zhang et al. (2020), Zhao et al. (2022)
	EI2	Others' emotion appraisal (OEA)	
	EI3	Use of emotion (UOE)	
	EI4	Regulation of emotion (ROE)	
Transformational leadership (TF)	Idealized attributes		Avolio and Bass (2004), McCarley et al (2014), Alzougool et al (2015), Mekonnen and Bayissa (2023)
	TF1	Goes beyond self-interest for the good of the group	
	TF2	Display a sense of power and confidence	
	TF3	Employees feel proud to work with their leader	
	Idealized behaviors		
	TF4	Talks about their most important values and beliefs	
	TF5	Emphasizes the importance of having a collective sense of mission	
	TF6	Talks optimistically about the future	
	TF7	Expresses confidence that goals will be achieved	
	Intellectual stimulation		
	TF8	Encouraging employees to consider problems from various perspectives	
	TF9	Suggest new ways of looking at how to complete assignments	
TF10	Re-examine critical assumptions to question whether they are appropriate		
Transactional leadership (TL)	Individual consideration		Mekonnen and Bayissa (2023), Khan et al (2023), Min (2022), Alzougool et al (2015)
	TL1	Clear reward and punishment policies for employees	
	TL2	Expresses satisfaction when employees meet expectations	
	TL3	Discusses in specific terms who is responsible for achieving performance targets	
	Management by exception		
	TL4	Concentrates full attention on dealing with mistakes, complaints and failures	
	TL5	Directs employees' attention toward failures to meet standards	
TL6	Keep track of all mistakes		
Laissez-faire leadership (LL)	LL1	Avoids getting involved when important issues arise	Ali and Ullah (2023), Alzougool et al. (2015), Lundmark et al. (2022)
	LL2	Avoids making decisions	
	LL3	Delays in responding to urgent questions	
Team trust (TT)	TT1	Trust in receiving help from colleagues in difficult times	Cook and Wall (1980), Leat and El-Kot (2009), Rezvani et al. (2018), Rezvani et al. (2019), Ishfaq et al. (2022)
	TT2	Trust in colleagues' willingness to provide assistance when needed	
	TT3	Trust in the quality of colleagues' work	
	TT4	Trust in colleagues' skills	
	TT5	Trust in colleagues' professional competence	
Audit quality (AQ)	Competence		DeAngelo (1981), Pham (2022), Kusuma and Sukirman (2017)
	AQ1	Ability to detect fraud and material errors in financial reports	
	AQ2	Auditor's understanding of current auditing standards	
	AQ3	Auditor's experience and in-depth knowledge when conducting audits	
	Independence		
	AQ5	Reporting fraud and material errors	Anugerah et al. (2016), Zhao et al. (2022)
AQ6	Independence in the reporting process		

Source: Authors' elaboration.

3.3. Sample selection

This study focuses on participants who are auditors aged 20 years old and above, currently employed at independent audit firms in Vietnam. The participants exhibit diversity in terms of experience, ranging from interns to individuals with over 10 years of experience, holding significant positions such as company directors. We utilized Google Forms to construct the questionnaire and distributed the survey link to auditors, resulting in a total of 259 responses. To gather the email addresses for the survey distribution, we employed several methods. Firstly, we sent out email invitations to auditors using publicly available email addresses from professional directories and company websites. Secondly, we utilized social media platforms such as LinkedIn to directly reach out to auditors, explaining the purpose of the study and inviting them to participate. Additionally, we posted the survey link in relevant professional groups and forums where auditors are active, ensuring voluntary participation. This approach not only safeguarded personal information but also broadened our reach to include a diverse group of auditors across various levels of experience and positions within the industry.

3.4. Analysis instruments

After the data collection process concluded, we initiated the data filtering process, eliminating responses that were not relevant to the study. Out of the 259 survey responses received, the team retained 246 suitable datasets. Subsequently,

the data were input into Statistical Package for the Social Sciences (SPSS) v. 26 and Analysis of Moment Structures (AMOS) v. 24 for examination and analysis using various statistical methods. The analysis involved conducting reliability tests such as Cronbach's alpha, exploratory factor analysis (EFA) for factor exploration, confirmatory factor analysis (CFA) for factor confirmation, structural equation modelling (SEM) for testing linear structural models, and evaluating total indirect effects to examine the mediate effect. Based on the results, we analyzed and provided implications for policy recommendations on how to enhance AQ in Vietnamese audit firms.

4. RESEARCH RESULTS

4.1. Descriptive statistics

We employed descriptive statistics to analyze quantitative variables regarding the characteristics of the auditors participating in the survey. Analysis results showed that 51.3% of survey participants were female, and the main age group of survey participants was 20-30 years old (87%). The explanation for the average age of auditors conducting the survey is quite young, mainly in the range of 20-30 years old, stemming from many factors. In the Vietnamese market, young auditors often advance quickly to management positions such as audit team leader after only 3-5 years of work, due to the urgent need for human resources and the shortage of experienced human resources.

Table 2. Descriptive statistics results

Characteristics	Description	Frequency	Percentage
Gender	Male	120	48.8%
	Female	126	51.2%
Age	20-25 years old	100	40.7%
	25-30 years old	114	46.3%
	30-40 years old	23	9.3%
	40-50 years old	9	3.7%
	> 50 years old	0	0%
Education	Bachelor degree	135	54.9%
	Master's degree	104	42.3%
	PhD	7	2.8%
	Others	0	0%
Experiences	0-2 years	87	35.4%
	2-5 years	86	35%
	5-10 years	55	22.3%
	> 10 years	18	7.3%
Current position	Intern	56	22.8%
	Associate	81	32.9%
	Senior	85	34.6%
	Manager	21	8.5%
	Partner/Director	3	1.2%
Workplace	Big4 firm	95	38.6%
	International non-big firm	106	43.1%
	Local firm	45	18.3%
Professional certificate	International professional certificate	85	34.6%
	Vietnam professional certificate	94	38.2%
	None	67	27.2%

Source: Authors' elaboration.

In fact, audit work requires facing complex and high-pressure tasks. This includes pressure to continually update knowledge, complete reports on time, maintain AQ to protect the firm's reputation, and require additional professional certifications.

Most audit assistants, after working for a period of time at auditing companies in Vietnam, if they do not have a professional certificate, often decide to leave the auditing profession to take on other positions such as chief accountant, financial manager,

risk manager or internal auditors in companies with better working conditions and higher salaries (Pham et al., 2022). This leads to high turnover rates in the industry, especially for young auditors.

In addition, management positions such as manager, director and partner only account for a small percentage of audit companies. They often only direct and supervise work without directly participating in the audit process. Therefore, young auditors normally including associates and seniors often have to take on great responsibility and participate directly in the audit process. Another factor is that young auditors are often recruited due to their high competitiveness and willingness to work long hours. This is an important factor that helps audit firms maintain flexibility and meet customer needs. The summary of the analysis results is as above.

4.2. Results of testing the scale and research model

4.2.1. Reliability test (Cronbach's alpha)

In accordance with Hoang and Chu (2008), the alpha coefficient, with a value of 0.6 or higher, is considered acceptable for the measurement scale. Additionally, the corrected item-total correlation, indicating the "association" between an observed variable in the factor and the remaining variables, should exceed 0.3 to prevent the variable from being excluded from the study (Nunnally, 1978).

Following the reliability test, the observed variables *TF3*, *TF10*, *TL3*, and *AQ1* were excluded from the model due to their corrected item-total correlation coefficients being less than 0.3. The results of the reliability test are summarized in the table below.

Table 3. Reliability testing results

Variable	Cronbach's alpha		Notes
	Initial result	After adjusting	
<i>EI</i>	0.820	0.820	No adjusting
<i>TT</i>	0.842	0.842	No adjusting
<i>TF</i>	0.744	0.845	Remove <i>TF3</i> , <i>TF10</i>
<i>TL</i>	0.832	0.879	Remove <i>TL3</i>
<i>LL</i>	0.801	0.801	No adjusting
<i>AQ</i>	0.695	0.834	Remove <i>AQ1</i>

Source: Authors' elaboration.

4.2.2. Exploratory factor analysis

In accordance with Hair et al. (1998), 0.3 is the minimum value of the loading coefficient to retain an observed variable. Additionally, when conducting EFA, certain conditions must be met for the dataset to be valid for subsequent analyses: 1) the Kaiser-Meyer-Olkin (KMO) coefficient should fall within the range of 0.5; 1); 2) the Sig. value < 0.05; and 3) the total variance extracted after the test should be > 50%.

The results of the data analysis indicate the high significance level of the EFA, as the KMO coefficient is 0.884, satisfying the condition within the range of 0.5 to 1, and the Sig. value is 0.000, meeting the condition of Sig. < 0.05.

Table 4. KMO and Bartlett's test

Kaiser-Meyer-Olkin measure of sampling adequacy		0.884
Bartlett's test of sphericity	Approx. Chi-square	3790.871
	Df.	528
	Sig.	0.000

Source: Authors' elaboration.

The termination point, determined by extracting factors with eigenvalues greater than 1, reveals that all six-factor groups are capable of explaining the data variation. Simultaneously, the cumulative variance extracted is 59.056%, ensuring an adequate level of explanation and validating the analysis results as it exceeds 50%. The factor loadings for each observed variable all exceed 0.5, meeting the minimum retention condition of 0.3.

Table 5. Total variance explained (Part 1)

Component	Initial eigenvalues			Extraction sums of squared loadings			Rotation sums of squared loadings
	Total	% of variance	Cumulative %	Total	% of variance	Cumulative %	Total
1	9.775	29.621	29.621	9.775	29.621	29.621	6.733
2	2.842	8.611	38.232	2.842	8.611	38.232	5.830
3	2.281	6.914	45.146	2.281	6.914	45.146	6.097
4	1.919	5.816	50.962	1.919	5.816	50.962	5.933
5	1.494	4.528	55.489	1.494	4.528	55.489	5.152
6	1.177	3.567	59.056	1.177	3.567	59.056	3.641
7	0.940	2.849	61.905				
8	0.901	2.730	64.636				
9	0.839	2.543	67.179				
10	0.813	2.463	69.642				
11	0.760	2.304	71.945				
12	0.699	2.119	74.065				
13	0.633	1.917	75.982				
14	0.622	1.886	77.868				
15	0.602	1.825	79.693				
16	0.583	1.768	81.461				
17	0.567	1.718	83.179				
18	0.545	1.651	84.830				
19	0.499	1.511	86.341				
20	0.485	1.469	87.810				

Table 5. Total variance explained (Part 2)

Component	Initial eigenvalues			Extraction sums of squared loadings			Rotation sums of squared loadings
	Total	% of variance	Cumulative %	Total	% of variance	Cumulative %	Total
21	0.449	1.361	89.171				
22	0.431	1.306	90.477				
23	0.411	1.245	91.721				
24	0.372	1.126	92.848				
25	0.341	1.034	93.882				
26	0.339	1.027	94.909				
27	0.311	0.943	95.852	27	0.311	0.943	95.852
28	0.295	0.894	96.746	28	0.295	0.894	96.746
29	0.277	0.839	97.585	29	0.277	0.839	97.585
30	0.243	0.735	98.320	30	0.243	0.735	98.320
31	0.220	0.667	98.987	31	0.220	0.667	98.987
32	0.185	0.561	99.548	32	0.185	0.561	99.548
33	0.149	0.452	100.000				

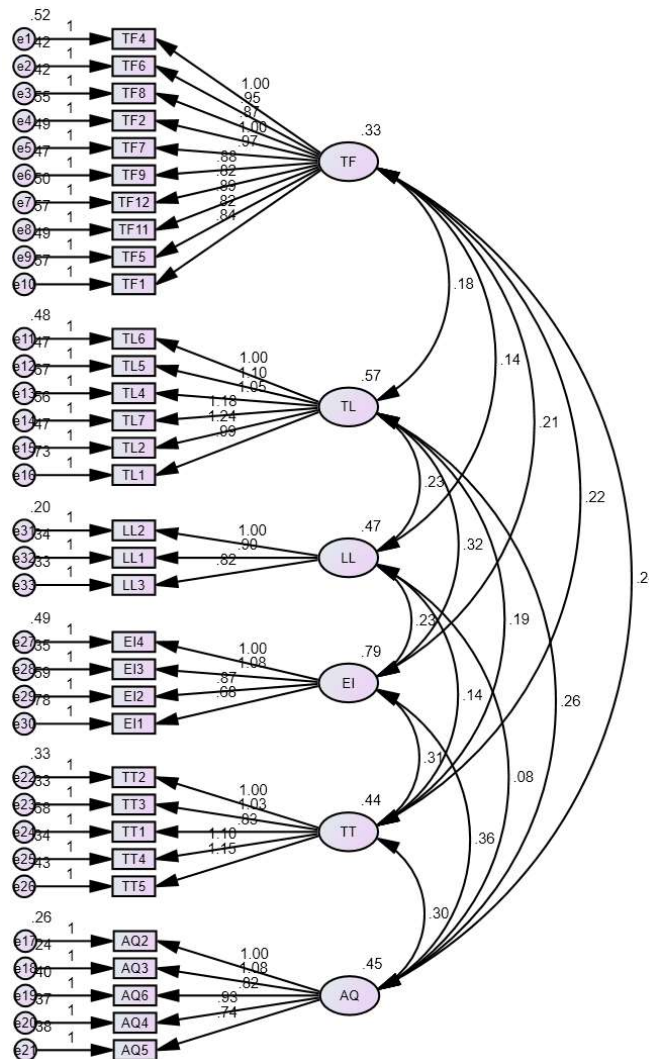
Source: Authors' elaboration.

4.2.3. Confirmatory factor analysis

According to Hu and Bentler (1999), the model is considered good when the indexes Chi-square value (CMIN)/df ≤ 3, comparative fit index (CFI) ≥ 0.9, goodness-of-fit index (GFI) ≥ 0.9, Tucker-Lewis index

(TLI) ≥ 0.9, root mean square error of approximation (RMSEA) ≤ 0.06 and p-value of close fit (PCLOSE) ≥ 0.05. However, according to Baumgartner and Homburg (1996) and Doll et al. (1994), because it is greatly affected by sample size, a GFI index ≥ 0.8 is acceptable.

Figure 2. Confirmatory factor analysis result



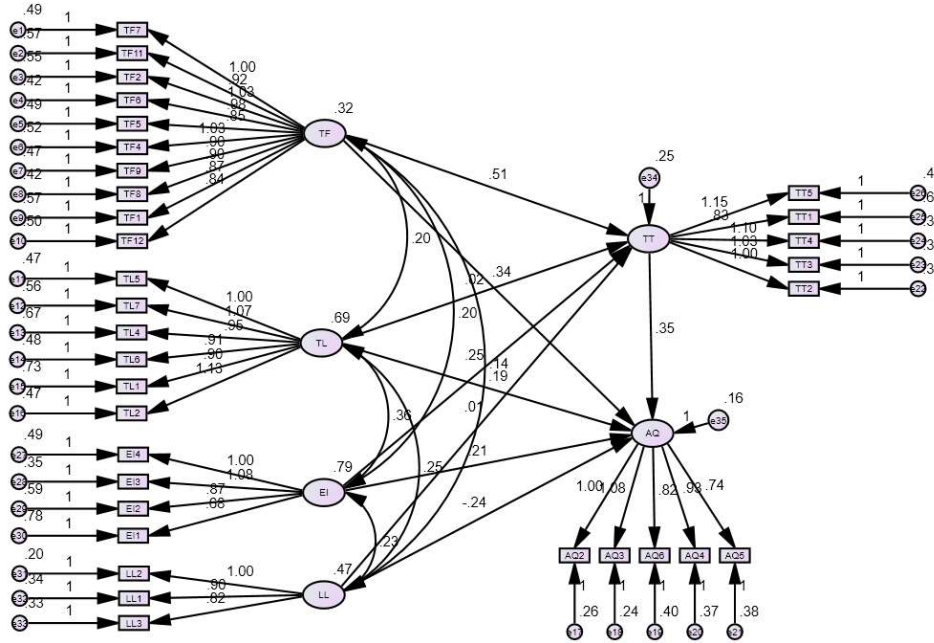
Note: Chi-square = 744.274, df = 480, p = 0.000, CMIN / df = 1.551, GFI = 0.855, TLI = 0.916, CFI = 0.924, RMSEA = 0.047, PCLOSE = 0.736. Source: Authors' elaboration.

The results of testing CFA (see Figure 2) showed that the indexes CMIN / df = 1.551, CFI = 0.924, GFI = 0.855, TLI = 0.916, RMSEA = 0.047, and PCLOSE = 0.736 shows that the indexes measuring the model fit are all standard. The model research is consistent with the research data.

4.2.4. Model and hypotheses testing

The results of the SEM testing CMIN /df = 1.551, CFI = 0.924, GFI = 0.855, TLI = 0.916, RMSEA = 0.047, and PCLOSE = 0.736 all reached good and very good levels. From there, it shows that the scale has met the analytical requirements.

Figure 3. Structural equation modelling result



Note: Chi-square = 744.274, df = 480, p = 0.000, CMIN / df = 1.551, GFI = 0.855, TLI = 0.916, CFI = 0.924, RMSEA = 0.047, PCLOSE = 0.736. Source: Authors' elaboration.

Table 6. Regression weights

Impact	Estimate		Std. error	Critical ratio (CR)	P
	Unstandardized	Standardized			
TT ← EI	0.250	0.335	0.060	4.161	***
TT ← TF	0.510	0.431	0.101	5.059	***
TT ← TL	0.016	0.020	0.062	0.260	0.795
TT ← LL	0.013	0.014	0.072	0.182	0.856
AQ ← TT	0.346	0.343	0.081	4.289	***
AQ ← EI	0.209	0.277	0.056	3.738	***
AQ ← TF	0.345	0.289	0.093	3.687	***
AQ ← TL	0.193	0.239	0.056	3.469	***
AQ ← LL	-0.243	-0.250	0.065	-3.724	***

Source: Authors' elaboration.

First, with p-value = 0.000, the auditor's EI has a direct positive impact on AQ with the impact level $\beta = 0.277$ (see Table 6). This means that auditors with higher EI will help improve AQ. So, hypothesis H1 is accepted.

Second, auditors' EI also impacts positively and indirectly AQ through trust in the audit team with $\beta = 0.115$ and a confidence level of 99.3% (see Table 7). Hypothesis H2 is accepted.

Third, hypotheses H3a and H3b are accepted, and H3c is rejected. The leadership style in the audit team (including TF and TL) impacts directly and

positively on AQ ($\beta = 0.289$ and $\beta = 0.239$, respectively). By contrast, the LL and AQ have a negative relationship with $\beta = -0.250$ (see Table 6). It also can be seen that transformation leadership in the three types of leadership styles has the most positive influence on AQ.

Last, the mediate testing result in Table 7 shows that among the three types of leadership styles, TT only plays the mediating role in the relationship between TF and AQ ($\beta = 0.148$). So, H4a is accepted, H4b and H4c are rejected.

Table 7. Mediate testing results

Impact	Direct		Indirect		Type of mediating
	Standardise estimates	Sig.	Standardise estimates	Sig.	
AQ ← TT ← EI	0.277	0.000	0.115	0.007	Partial mediating
AQ ← TT ← TF	0.289	0.000	0.148	0.003	Partial mediating
AQ ← TT ← TL	0.239	0.000	0.007	0.733	No mediating
AQ ← TT ← LL	-0.250	0.000	0.005	0.778	No mediating

Source: Authors' elaboration.

5. DISCUSSION

5.1. Impact of emotional intelligence on audit quality

The auditors' EI has both a direct positive impact on AQ and an indirect positive impact through trust in the audit team.

High EI means auditors can more easily recognize, evaluate, express and regulate their own emotions as well as understand and analyze the emotions of others. Therefore, auditors with high EI will interact more effectively with clients (Ashkanasy & Daus, 2005), providing a deeper understanding of the complexities of the client's business and reducing misunderstandings during the audit. Furthermore, high EI will help auditors manage stress effectively, allowing them to control personal emotions well and help maintain a level of professionalism during work. Higher EI tends to exhibit more professional scepticism (Ling, 2013; Moura et al., 2022), they are more likely to be sceptical, assess higher risks, demonstrate a more sceptical mindset, think critically at a higher level in their auditing activities, contributing to finding potential errors and irregularities in financial statements and detecting fraud more effectively.

Additionally, EI plays an important role in building trust and positive relationships within the audit team. Auditors with high EI tend to understand and empathize with their team members, resolve conflicts tactfully, and foster a supportive, collaborative environment (Ashkanasy & Daus, 2005). This facilitates the establishment of trust within the audit team — a foundation for auditors to effectively exchange information, frankly discuss audit findings and provide constructive feedback. This has improved teamwork and communication within the team, thereby contributing to improving AQ.

This result is similar to previous studies by Kusuma and Sukirman (2017), Menne et al (2019), Pinatik (2021), and Sukri et al. (2022) when these authors also said that auditors' EI positively affects AQ. Yulianti et al. (2023), Zhao et al. (2022) and Aamir et al. (2018) also suggest that auditors with high EI are less likely to engage in behaviours that reduce AQ, which can threaten AQ. However, this result goes against the findings of Brody et al. (2020) when their research shows that EI does not impact the effectiveness of audits or that EI does not contribute to ensuring AQ.

5.2. Impact of leadership style on audit quality

5.2.1. TF has a directly positive impact on AQ and an indirectly positive impact through TT

The better the audit team leader applies TF, the more AQ will be improved. A team led by TF will motivate and instil a high level of awareness and concern within the team, enhancing confidence and encouraging team members to focus on promoting group development rather than just completing assigned tasks individually (Yammarino, 1994). In this audit team, members tend to willingly engage in activities such as exploring any anomalies they perceive and contributing opinions to increase the ability to detect significant irregularities. This

approach also involves building knowledge to be prepared for unforeseen situations from clients. Through intellectual stimulation and inspiration, transformational leaders have the ability to foster communication among team members. This results in team members interacting and sharing information more, creating the basis for the development of a level of trust. As trust levels are built, performance also improves significantly (Boies et al., 2015). On the contrary, in an audit team where members lack shared dedication, trust, and mutual respect, unintentional pressure to individually complete assigned tasks may arise, resulting in a decline in AQ compared to a team with members willing to assist each other and actively contribute opinions on audit matters.

Previous studies on TF in relation to team effectiveness have consistently shown that this leadership style positively impacts work performance (Flood et al., 2000; Canty, 2005; Rao & Abdul, 2015). In the context of auditing, the result of this research is consistent with these studies as AQ reflects the effectiveness of the audit team's work. This finding reinforces the conclusions of Mohassel et al. (2023) and Otila and Kyongo (2017), who also assert that TF positively influences AQ.

5.2.2. TL has a directly positive impact on AQ

Transactional leadership is related to making organizational goals and purposes clear, communicating to organize tasks and activities with the collaboration of their employees to ensure that the organization's major goals are met (Bass, 1990). Those who adopt this leadership style believe that their subordinates will perform assigned tasks better if the work is clearly and specifically assigned. This TL is considered suitable for environments with everyday tasks that are measurable (Muller et al., 2016). The auditing industry operates in such an environment where tasks are regularly standardized to ensure they are carried out accurately and in line with established protocols. Therefore, TL can be deemed effective when applied to the auditing sector.

This research result is also consistent with previous studies by Bass et al. (2003), Purwanto et al. (2019), Sakti et al. (2023), and Kalsoom et al. (2018) which indicate that TL is effective in improving team performance.

5.2.3. LL has a directly negative impact on AQ

In audit teams where the team leader manages the team in an LL style, the AQ tends to be lower compared to teams where the team leader does not apply this leadership style. The LL often does not clearly define the leader's role, allowing employees to maximize their freedom in decision-making and performing tasks in the most convenient way for them (Lewin et al., 1939). In a team led by an LL, members are encouraged to develop personally, fostering innovation and creativity, and are allowed to make decisions quickly and autonomously without waiting for approval processes (Amanchukwu et al., 2015). However, the auditing environment demands a very high level of caution, with auditors needing strict control and monitoring of work processes. Above all, guidance and direction from the audit

team leader are crucial to ensure decision-making that guarantees AQ. If an audit team leader does not actively contribute opinions, guidance, or supervision for audit team members, inadequate monitoring of the team's work may lead to compromised AQ.

This result is similar to some previous studies on liberal leadership such as the study of (Kotur & Anbazhagan, 2014; Bass & Bass, 2008; Skogstad et al., 2007) or Flood et al. (2000) when these authors also pointed out the ineffectiveness of applying this style in group work in general. Spinelli's (2006) research has shown that the effectiveness of groups applying LL is lower than the effectiveness of groups applying the TF style.

However, the findings on the relationships between leadership style and AQ of this research contradict the previous result of Salman and Hatta (2020) when these two authors said that leadership style is not an important factor affecting the auditor's performance or the results of the audit, which is AQ.

6. CONCLUSION

Facing public scepticism regarding the service quality of audit firms today, research on the influence of auditors' EI and the leadership style in the audit team on AQ is crucial.

Based on research results and discussions, it can be concluded that the EI of the audit team has a significant and positive impact on AQ. There is also an indirect influence of an intermediary factor, which is TT in this relationship. This indicates that

the higher the EI of auditors, the higher the AQ. We also pointed out that TF and TL have a positive impact on AQ, whereas LL has a negative impact on AQ. Additionally, among the leadership styles, trust within the audit team just is a mediator in the relationship between TF and AQ.

In general, the findings of this study have contributed to supplementing the results of previous research by highlighting the non-negligible impact of EI and leadership style on AQ. Especially, we found the mediating role of TT in the relationship between EI and TF. These results can assist audit firms in formulating policies to enhance AQ in the future by promoting the development of EI and the application of a suitable leadership style. Moreover, it highlights the importance of fostering trust within teams to improve AQ, suggesting that management should invest in trust-building activities and training programs for auditors.

However, the study still faces certain limitations. Due to constraints in time and economic resources, the sample data collected by us is limited to a specific number of auditors and is confined to the Vietnamese market. Additionally, this study does not consider other factors that may influence the relationships in question, such as gender, age, experience, etc. Other research groups may conduct similar studies on a larger and more comprehensive scale to obtain more refined and objective results. Furthermore, future studies should explore the moderating effects of various other factors to build a more comprehensive picture of the relationship between EI, leadership style, and AQ.

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APPENDIX. QUESTIONNAIRE

We would like to send our most respectful greetings to you!

We are a research group and are researching the topic “The impact of emotional intelligence and leadership style on audit quality” to learn about the role of auditors’ emotional intelligence and leadership style in the audit environment for audit quality.

We look forward to receiving your active participation in completing this survey questionnaire.

We commit that all information you provide in this survey questionnaire is confidential and will only be used for research purposes.

Sincerely thank you for your support!

1. General information

1.1. Age

20-25 years old 25-30 years old 30-40 years old 30-40 years old > 50 years old

1.2. Sex

Male Female

1.3. Educational level

Bachelor’s degree Master’s degree PhD Others

1.4. Experience

0-2 years 2-5 years 5-10 years > 10 years

1.5. Workplace

Big4 Non-big (International firm) Non-big (Local firm)

1.6. Current position

Intern Associate Senior Manager Director/Partner

1.7. Professional certificate

International certificate Vietnamese Certificate No

2. Questions

For the following statements, please rate from 1 to 5 according to your level of agreement (from strongly disagree to strongly agree).

2.1. Emotional intelligence

I have the ability to perceive and regulate my emotions
 I perceive my colleagues’ emotions through their behavior
 I always set goals for myself and then try my best to achieve them
 I have the ability to control my emotions to face difficulties rationally

2.2. Leadership styles

Transformational leadership style
 My leaders are willing to ignore personal interests for the good of the group
 I feel my leaders are powerful and confident
 I feel proud to work with my leaders
 My leaders communicate to employees their important values and beliefs
 My leaders always emphasize the importance of having a common sense of the auditor’s mission
 My leaders talk about the future positively and optimistically
 My leader is confident that the goals will be achieved
 My leaders encourage me to look at problems from many different perspectives
 My leaders suggest new perspectives on how to accomplish tasks
 My leaders encourage questioning assumptions to see if they are appropriate
 My leaders spend time mentoring, guiding and teaching each individual
 My leaders consider subordinates as separate individuals with different needs, abilities and ambitions
 Transactional leadership style
 My leaders set clear rewards and penalties for employees if performance goals are achieved

My leaders show satisfaction when I meet expectations
My leaders clearly designate who is responsible for achieving performance goals
My leaders focus all of their attention on resolving deviations, complaints, and failures
My leaders directed my attention to failures to meet standards
My leaders closely monitor detected errors
My leaders do not intervene until the problem becomes serious
My leaders avoid intervening when problems occur
My leaders avoid making decisions
My leader delays in answering urgent questions

2.3. Trust within the audit team

I have colleagues who try to help me if I have difficulty at work
I believe my colleagues will help me if I need it.
I trust the quality of my colleagues' work
I have complete confidence in my colleagues' skills
I believe my colleagues will not work carelessly enough to put me in a difficult situation

2.4. Audit quality

I have the ability to assess risks
I have a good understanding of accounting and auditing standards
I regularly participate in courses, seminars, and discussions related to auditing to update the latest knowledge and information about regulations and standards in the audit process
I am often assigned to projects where I have experience and in-depth knowledge of that industry
I always report any suspicion of fraud or material misstatement immediately
I am not influenced by the efforts of others to influence the content of the audit report

This is the end of the survey.
Once again, sincerely thank you for your support!