

A Study on The Role of Stakeholders and Auditors in Global Financial Crisis After Pandemic

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ABSTRACT:

In this topic, I had studied the role of stakeholders and auditors in the global financial crisis. How the western companies, Swedish companies moved from the financial crisis by completing the role of auditor and stakeholders in financial crises which arise in different countries at different times. In different countries how they implemented many changes after the financial crisis. To improve the financial condition of different countries they have taken a lot of risky decisions.

This is the comparative study of the financial crisis in Indonesian companies, Swedish companies and in western companies in different periods. The paper relies on the data analysis and observation of relevant crises.

KEYWORDS: Stakeholders, Auditors, Global Financial Crisis, Companies, Data Analysis

INTRODUCTION:

Stakeholders are people who are influenced by or can influence the activities of others. In many cases, stakeholders are representing their self-interests as well as those of other people, groups, organizations, collectives, or even inanimates such as plants, animals, and future generations. Stakeholders for the enterprise crisis are the organizations and individuals, which cause crisis, respond to the crisis and affected by the enterprise crisis

An auditor is an authorized personnel that reviews and verifies the accuracy of financial records and ensures that companies comply with tax norms. Their primary objective is to protect businesses from fraud, highlight any discrepancies in accounting methods, among other things the responsibility of expressing an opinion regarding the fairness and truth of financial statements. In this case, the role of an auditor is to scrutinize the financial data of a company and ensure that there is accuracy and regulatory compliance.

Corporate governance is the collection of mechanisms, processes and relations used by various parties to control and to operate a corporation.

Audit is the examination or inspection of various books of accounts by an auditor followed by physical checking of inventory to make sure that all departments are following a documented system of recording transactions. It is done to ascertain the accuracy of financial statements provided by the organization.

Quality audit is the process of systematic examination of a quality system carried out by an internal or external quality auditor or an audit team. It is an important part of an organization's quality management system and is a key element in the ISO quality system standard, ISO 9001.

Determine that appropriate input controls are used to ensure accuracy and completeness of data. Input test transactions with invalid numbers into an audit copy of the production software used to perform the check digit verification.

A process audit determines whether an organization's processes are working within established limits. It measures conformance to any predetermined or industry standards, as well as the effectiveness of any instructions.

The Framework for Audit Quality describes the input, process and output factors that contribute to audit quality at the engagement, audit firm and national levels, for financial statement audits.

Management unwillingness to disclose information to auditors for confidentiality or other reasons. Audit perceived by management as a low priority compliance exercise. Poor working relationship between auditors and management. Insufficient understanding of the entity's business within the engagement team.

The inputs to audit quality will be influenced by the context in which an audit is performed, the interactions with key stakeholders and the outputs. For example, laws and regulations (context) may require specific reports (output) that influence the skills (input) utilized. an official organization that checks government spending: The inspector general's San Francisco audit office is now finishing a review of the spending. Compare. the Audit Commission.

Financial reporting quality can be thought of as spanning a continuum from the highest (containing information that is relevant, correct, complete, and unbiased) to the lowest (containing information that is not just biased or incomplete but possibly pure fabrication).

Some Definition:

Auditing:

The definition of auditing[1],” Systematic process of objectively obtaining and evaluating evidence regarding assertions about economic actions and events to ascertain the degree of correspondence between those assertions and established criteria and communicating the results to interested users”.

Agency theory and auditing:

In businesses and financial markets, Auditing plays a major role in monitoring the principals and agents. To make decision making, the external audit is one of the most important tools.

Audit Quality:

Audit quality is a complex concept and not easy to define. There are many ways to measure the audit quality, it differs from very low quality to very high quality. It can be the market assessed joint probability that a given auditor will both discover a breach in a client's accounting system, and report the breach.

LITERATURE REVIEW:

The main feature of this financial crisis is that set by Western financialisation of westbound countries, mainly the economy of the US, generates plenty of praise and encourages high risk- taking from financial equipment and combining structures and ineffectual regulative mechanisms.[1].

In Indonesia there is a corporate governance is very researching topic from financial crisis start. Because of insufficient corporate governance, liquidation of many companies is forming[2]. Corporate governance is defined as assembling, method and system that is utilized by parts of company as hard work to supply imperishable worth added [3] corporate governance operates duty, rights and responsibility to that people who give something in the company.

The main characteristics of the corporate governance and legal system of investors defence may too effect the part of the legal auditor[5]

In financial crisis, acquiring management is a technique for management for handling numbers in financial statement due to impact of economics hardship[4]. So time to identifying income so that branches changes but they are not increase in major time [6]. The main goal of company is to increase the worth of company by decreasing costs. Bigger value will be noticed by higher shareholder's successfully).[7] Three kinds of valuation similar to stock: net book value, market and intrinsic values. The main goal of these kinds of valuation is to increasing investors interest and to spread awareness at the time of investment decision. Large worth may form trust of public in company brochure in future.

Auditor is in charge of creating thinking based on the estimation of conclusion obtained from audit proof and understandably states that opinion by a written report. The opinion which is certificated or uncertificated. Audit is well-organized procedure which may determine either the manager is handling in line with shareholders interest or not[8]

The main role of the auditor is to confirm that financial detailing has original or high standard. Audit staff be in the service for examine the financial detailing and gaining management implementation. Auditor

with high collection rates will mostly acknowledge the certificated audit opinion. Accruals which are internal approximate of manager for further calculation. So in comparison of lower accrual rate auditee has less uncertainty than auditee with higher accrual rate. That is the auditor likely to provide qualified audit opinion for high accrual rate auditees[9]. The increase and decrease in corporate worth and for reducing bureau costs which are affected by ownership composition.

METHODOLOGY:

The paper is a comparative study of the financial crisis in Indonesian companies, Swedish companies and in western companies in different periods.

OBJECTIVES:

The objectives of this paper is,

1. To find the condition of different countries due to the financial crisis.
2. To find the ways which are implemented by countries after the financial crisis.
3. To study the importance of finance in each country.
4. To study the improvement of countries in finance In all countries which is disturbed by the financial crisis.

RESULT ANALYSIS:

In different countries after the financial crises, many changes were implemented. In the UK in 2008, Financial Reporting Council(FRC), issued the [13] 'Audit Quality Framework'. To manage the risk three strategies implemented in Australia,[14] which is to drop the risky clients, increase the propensity to issue going-concern opinions and to increase the audit effort. Similarly, countries like Spain, Ireland, Italy, Portugal and Greece[15], found that changes in relevance, timeliness, conditional conservatism, smoothing, management, persistence and predictability, generally increased during the financial crisis.

Two hypotheses were studied in this paper [10], first is Audit quality, in terms of discretionary accruals, will improve from the pre crisis period to the crisis period and continue to improve in the period after the GFC. Second one is Audit quality, in terms of discretionary accruals, will decrease during the period of the financial crisis and would after the end of the crisis return to pre-crisis levels.

The study was done on a scientific method[10], that is the two philosophical considerations in research: epistemological considerations and ontological considerations. and also including the population and sample method. The collection of data from policy traded companies in Sweden from 2005 until 2012 was studied and the result of the hypothesis states that audit quality improved during GFC and continued to improve after the end of it. And in another hypothesis, it was stated that audit quality decreased during the GFC and will after the crisis return to pre-crisis levels.

The [11] corporate governance and the legal system of investor protection based on the audit opinion on the company's financial statements was studied. The hypothesis is that corporate governance has an influence on audit opinion, on earning management and earning management has an influence on audit opinion. Also, Corporate governance has an influence on firm value, Firm value has an influence on audit opinion, earning management has an influence on firm value.

The paper has a research design of collecting samples, measurement of variables and analysis with results. The data analysis techniques[11] using WrapPLS and structural model, concludes that auditor value is influenced only by the Firm Value.

The study of contemporary auditing practices was studied and summarized in detail[16]. In this paper data as per the financial statements and statutory filings from many companies was collected and analysed. The major financial crisis in western economics was considered debated about the quality of auditing by examining its reports. The summarisation of unqualified audit reports, auditors fee structure, role of auditors and possible areas of research is briefed.

EXPECTED OUTCOMES: The main outcome of this research paper is to maintain the financial condition of different countries' various types of financial crisis and to stay stable in crisis conditions. This is the overall study.

BENEFITS OF THE SOCIETY: This research gave lots of benefits such as which countries disturbed due to financial crisis and how to overcome these situations and the ways to protect countries from such crisis of finance.

FUTURE SCOPE: There is a lot of scope for this topic of research because finance is a very important part in each and every country. The role of stakeholders and auditors in the global financial crisis is very important as they proved their importance in crisis management for every country.

LIMITATIONS:

The auditing practices may have many questions in financial crises. In traditional audit the audit result concluded with external audit. The view given by the auditor hypothesis is not qualified for current financial crises. This is the gap between traditional and current financial crises, to compare the auditors' results. The audit evidence will not be available to the general public.

The audit may be issued to qualify bank accounts in fear of liability. This means the audit report is subject to organizational and regulatory politics.

And some other limitations are

1. Auditing quality during and after the audit.
2. Due to agency problems, all are able to study only publicly listed firms[12].

CONCLUSION: From this paper, we get conclusion that is how to face such global financial crisis and how can we improve our nation's financial stability so we will not be disappointed by financial crisis. So everything will be well managed due to past experience of the global financial crises and the role of stakeholders and auditors in crisis is most important to stable such situation properly.

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