

# THE IMPACT OF VARIOUS RESPONSIBILITIES OF THE AUDITORS IN CONTEXT OF INDEPENDENCE AND IMPARTIALITY: A PERCEPTION OF ACCOUNTING PROFESSIONALS

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## Abstract

*The accounting profession must look to the future prerequisites of associations, and meet these necessities with experts that have been instructed in a way that serves the requirements of associations and society. So to meet this, accounting professionals have concentrated on building up an accentuation on wide bland business abilities as opposed to particular specialised aptitudes, to give transferable abilities that will suit an assortment of accounting standards required in business. The study focused on responsibility, reliability, and decision usefulness statements. Responsibilities like issue of internal control, financial statement preparation, auditor's objectivity and audit procedures etc. while reliability & decision usefulness statements include the areas of guaranteeing the accuracy of the financial statements, effective use of government grants, and management efficiency etc.*

**Keywords:** Accounting Professionals, Financial Statements, Audit Report

## INTRODUCTION

The auditing profession has been the subject of misguided judgements, one of these being that auditors can give supreme affirmation about the exactness of an organisation's financial statements. Since the profession has been able to be questionable over the earlier decade (Bollen, Mertens, & Meuwissen, 2005), mapping out society's desires of the part and obligations of auditors is imperative in finding a way to adjust these desires to audit in this manner enhancing the profession's picture. One range where the presence of an audit desires is especially inconvenient to the case and reputation of the audit profession concerns the part of auditors in impulse cases. The audit profession regularly minimises the significance of its part in identifying misrepresentation and keeps on focusing on the part of administration. By repudiating obligation regarding the identification of misrepresentation, auditors plan to maintain a strategic distance from legitimate risk keeping in mind the end goal to shield themselves from cases (Humphrey, Mozier, & Turley, 1993).

## REVIEW OF LITERATURE

As per Jedidi and Richard (2009), it is difficult to dispense with the expectation gap. They contended that dispensing with the gap requires the foundation of a settled significance

of auditor. Be that as it may, this would not be conceivable in light of the fact that auditor definition is liable to difficulties and changes as per social, financial, and political improvements. Lobbyists required in the setting of the extent of auditor's responsibilities may try to serve their own enthusiasm attempting to spread a specific picture of the auditor. They asserted that the expectation gap might be discussed in a specialised conversation, in any case it is about the privileging of definitions, and related access to esteemed material and typical assets, that are advanced through such a verbal confrontation.

The study, 'The auditor expectation gap: An exact study in Malaysia' by Lee, Gloeck, and Palaniappan (2007) planned to identify the nearness of expectation gap in Malaysia and break down the way of this gap, utilising the structure of the study by Porter (1993) through examination of the perspectives of auditors and clients of the report of the examiner. The Study on Audit expectation gap in Malaysia found that the users of financial statements expects auditor's report & duties & responsibilities of auditors was higher than what public expect from them. There is, likewise, less of the execution by the auditors in Malaysia.

A critical expectation gap was revealed by Sidani (2007) in Lebanon. The inspectors' comprehension of their calling

contrasted and the clients' recognitions were altogether different, particularly in admiration of fraud location.

The study by Dixon, Woodhead, and Sohlman (2006) in Egypt concentrated on statements of duties, like issue of fraud location and anticipation, inner control, extent of inspectors legitimate duty, financial proclamation arrangement, auditors objectivity, and auditor techniques. The auditors and the clients were in understanding and had solid convictions that administration must have responsibility regarding delivering financial proclamations. Furthermore, the clients trusted that examiners were mindful in the rest of the regions.

## OBJECTIVES OF THE STUDY

1. To study various responsibilities of auditors in achieving a reasonable expectation from users of financial statements.
2. To study the impact of independence and impartiality of the auditors in achieving a reasonable expectation of users of financial statements from the perspective of accounting professionals.

## RESEARCH METHODOLOGY

For the present research, judgemental sampling method has been adopted. This study focuses on accounting professionals in India, comprising 50 respondents each from the following categories, viz. accounting academician, auditing firms, accounting firms, corporate accountants, and members of ICAI at top level.

The questionnaire consisted of two sections. The first section contained questions relating to demographic information of respondents. The second section consisted of audit expectation gap in which Likert-scale questions with five-point rating ranging from strongly agree to strongly disagree were used. Respondents had to choose a number from the scale which identified their level of agreement with each question. The questions were structured by following prior empirical researches and the responsibilities and duties of auditors.

The collected data was edited, coded, tabulated, grouped, and organised according to the requirement of the study. Tool specifically used for the analysis was Chi-square in order to justify the need of information.

## HYPOTHESIS OF THE STUDY

1. **H1:** There is no significant impact of different age groups on the independence and impartiality of the auditors in context of various responsibilities in achieving a reasonable expectation of users of financial statements from the perspective of accounting professionals.
2. **H2:** There is no significant impact of different education groups on the independence and impartiality of the auditors in context of various responsibilities in achieving a reasonable expectation of users of financial statements from the perspective of accounting professionals.

## DATA ANALYSIS (DEMOGRAPHIC VARIABLES)

The descriptive analysis with regard to demographic segmentation which were divided into groups on the basis of variables such as age, gender, education, profession, and work experience. Demographic variables are important as they help the researcher to distinguish groups. Out of the total 250 respondents, 38% are between the age group from 30 to 40 years, while the lowest proportion is above 60 years, which represents 14% from total population. The respondents between the age group from 40 to 60 years are 32% from the total population. Out of the total 250 respondents, 42% are CAs while the respondents who are having ICWA degree is comparatively less i.e. 8%. There is not much difference in the degree like CFA/ CFB/ CPA & M.Com/ Finance whose respondents represent 16% & 18% respectively. Out of total 250 respondents, 42% respondents have experience between 5 to 15 years & the proportion of lowest experience is 12% i.e. above 30 years. The respondents having work experience between 15 to 30 years represent 28%.

## RESULTS & DISCUSSION

The study was analysed by considering 14 responsibilities with respect to internal control, distortion of the figures, minor theft, theft of significant amount, embezzlement of organisational assets, performance of the entity, financial statement presentation etc.

**Table 1: Responsibility Related with Independence and Impartiality**

S. No.	Responsibility Related with Independence and Impartiality	No. of Responses		
		Strongly Agree & Agree	Neutral	Strongly Disagree & Disagree
1	The auditor is not in charge of the soundness of the internal control structure of the organisation.	190	50	10
2	It is a duty of auditor to identify think bending of the figures (or other data) displayed in the organisation's financial proclamations.	170	63	17
3	Minor theft (other than insignificant theft) has been conferred by non-administrative employees.	192	47	11
4	Theft of noteworthy sum has been conferred by non-administrative employees.	165	65	20
5	The company's directors or senior administration have embezzled assets of the company.	184	42	24
6	Information exhibited in the financial statements has been purposely contorted.	167	62	10
7	Users can have confirmation that the financial statements contain no material misquotes.	182	50	12
8	An audit is to ensure fairness and completeness of financial statement presentation.	177	58	15
9	The auditor ought to concur with the accounting policies utilised as a part of the financial statements.	190	50	10
10	The audited financial statements give a confirmation with respect to the performance of the organisation.	184	59	7
11	The auditor ought to be fair and objective while performing the engagement.	190	44	16
12	The audited financial statements are helpful for decision making.	185	59	8
13	The audited financial statements are helpful in checking the organisation's performance.	171	65	14
14	Audited financial statements are free from material one-sided accounting estimations.	183	48	19

The study explicit that more than 80% of the respondents agreed on the responsibilities related with independence & impartiality. Though this should not deter one from understanding the reason behind it, yet average 25% of respondents stay neutral. Only 7% of the accounting professionals disagreed for the responsibilities.

### Hypothesis Testing for Age Parameter

H0: There is no significant impact of different age groups on the independence and impartiality of the auditors in

context of various responsibilities in achieving a reasonable expectation of users of financial statements from the perspective of accounting professionals.

H1: There is significant impact of different age groups on the independence and impartiality of the auditors in context of various responsibilities in achieving a reasonable expectation of users of financial statements from the perspective of accounting professionals.

**Table 2: Findings of Chi-square Test (Age) for Various Responsibilities**

Sr No	Statement	Significance value	Alpha Level (5%)	Decision	Conclusion
1	The auditor is not in charge of the soundness of the internal control structure of the organisation.	0.002	$0.002 \leq 0.05$	H0 is rejected	Significant impact
2	It is a duty of auditor to identify think bending of the figures (or other data) displayed in the organisation's financial proclamations.	0.000	$0.000 \leq 0.05$	H0 is rejected	Significant impact
3	Minor theft (other than insignificant theft) has been conferred by non-administrative employees.	0.084	$0.084 \geq 0.05$	H0 is accepted	No significant impact
4	Theft of noteworthy sum has been conferred by non-administrative employees.	0.016	$0.016 \leq 0.05$	H0 is rejected	Significant impact
5	The Company's directors or senior administration have embezzled assets of the company	0.016	$0.016 \leq 0.05$	H0 is rejected	Significant impact
6	Users can have confirmation that the financial statements contain no material misquotes.	0.024	$0.024 \leq 0.05$	H0 is rejected	Significant impact
7	Information exhibited in the financial statements has been purposely contorted.	0.017	$0.017 \leq 0.05$	H0 is rejected	Significant impact
8	An audit is to ensure fairness and completeness of financial statement presentation.	0.001	$0.001 \leq 0.05$	H0 is rejected	Significant impact
9	The auditor ought to concur with the accounting policies utilised as a part of the financial statements.	0.048	$0.048 \leq 0.05$	H0 is rejected	Significant impact
10	The audited financial statements give a confirmation with respect to the performance of the organisation.	0.036	$0.036 \leq 0.05$	H0 is rejected	Significant impact
11	The auditor ought to be fair and objective while performing the engagement.	0.002	$0.002 \leq 0.05$	H0 is rejected	Significant impact
12	The audited financial statements are helpful for decision making.	0.012	$0.012 \leq 0.05$	H0 is rejected	Significant impact
13	The audited financial statements are helpful in checking the organisation's performance.	0.033	$0.033 \leq 0.05$	H0 is rejected	Significant impact
14	Audited financial statements are free from material one-sided accounting estimations.	0.015	$0.015 \leq 0.05$	H0 is rejected	Significant impact

The age group is divided in four groups, (a) less than 30 years, (b) 30 to less than 40 years, (c) 40 to less than 60 years, and (d) more than 60 years. There is a wider gap in opinion among age group from 30 to less than 40 years & more than 60 years (between groups 2 & 4).

Out of 14 parameters on age, 13 parameters are significantly affected by various age groups, which is contributing 92.85%.

It represents that there is a significant impact of age on the independence and impartiality of the auditors in context of various responsibilities in achieving a reasonable expectation of users of financial statements from the perspective of accounting professionals.

### Hypothesis Testing for Educational Qualification Parameter

H0: There is no significant impact of different education groups on the independence and impartiality of the auditors in context of various responsibilities in achieving a reasonable expectation of users of financial statements from the perspective of accounting professionals.

H1: There is significant impact of different education groups on the independence and impartiality of the auditors in context of various responsibilities in achieving a reasonable expectation of users of financial statements from the perspective of accounting professionals.

**Table 3: Chi-square Test (Education) for Various Responsibilities**

S. No.	Statement	Significance value	Alpha Level (5%)	Decision	Conclusion
1	The auditor is not in charge of the soundness of the internal control structure of the organisation.	0.075	$0.075 \geq 0.05$	H0 is accepted	No significant impact
2	It is a duty of auditor to identify think bending of the figures (or other data) displayed in the organisation's financial proclamations.	0.012	$0.012 \leq 0.05$	H0 is rejected	Significant impact
3	Minor theft (other than insignificant theft) has been conferred by non-administrative employees.	0.016	$0.016 \leq 0.05$	H0 is rejected	Significant impact
4	Theft of noteworthy sum has been conferred by non-administrative employees.	0.066	$0.066 \geq 0.05$	H0 is accepted	No significant impact
5	The company's directors or senior administration have embezzled assets of the company.	0.010	$0.010 \leq 0.05$	H0 is rejected	Significant impact
6	Users can have confirmation that the financial statements contain no material misquotes.	0.038	$0.038 \leq 0.05$	H0 is rejected	Significant impact
7	Information exhibited in the financial statements has been purposely contorted.	0.035	$0.035 \leq 0.05$	H0 is rejected	Significant impact
8	An audit is to ensure fairness and completeness of financial statement presentation.	0.027	$0.027 \leq 0.05$	H0 is rejected	Significant impact
9	The auditor ought to concur with the accounting policies utilised as a part of the financial statements.	0.034	$0.034 \leq 0.05$	H0 is rejected	Significant impact
10	The audited financial statements give a confirmation with respect to the performance of the organisation.	0.029	$0.029 \leq 0.05$	H0 is rejected	Significant impact
11	The auditor ought to be fair and objective while performing the engagement.	0.026	$0.026 \leq 0.05$	H0 is rejected	Significant impact
12	The audited financial statements are helpful for decision making.	0.013	$0.013 \leq 0.05$	H0 is rejected	Significant impact
13	The audited financial statements are helpful in checking the organisation's performance.	0.054	$0.054 \geq 0.05$	H0 is accepted	No significant impact
14	Audited financial statements are free from material one-sided accounting estimations.	0.007	$0.007 \leq 0.05$	H0 is rejected	Significant impact

The education group is divided in six groups, (a) CA, (b) ICWA, (c) CFA/CFB/CPA, (d) M.Com/ Finance (e) M.Phil/ Ph.D, and (f) Others. There is a wider gap in opinion among education group between CAs & CFA/CFB/CPA (between group 1 & 3).

Out of 14 parameters on education, 11 parameters are significantly affected by various education groups, which is contributing by 78.57%.

It represents that there is a significant impact of education on the independence and impartiality of the auditors in context of various responsibilities in achieving a reasonable expectation of users of financial statements from the perspective of accounting professionals.

## CONCLUSION

The central arrangement lies in expanding the level of auditor's independence and auditor's duties with more correctional measures to lessen corporate reporting embarrassments along these lines making ready for expanded audit quality through a diminishment in the level of audit expectation gap. Further, evaluating does simply involve the rendering of feeling as well as check of all narrative confirmation and of adherence to the financial reporting standards received by the management with a moral touch to the audit procedure.

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