

## STATUTORY AUDITORS' INDEPENDENCE IN THE CONTEXT OF CORPORATE ACCOUNTING CORRUPTION: RESPONDENTS' PERCEPTIONS

---

Prof. (Dr.) Siddhartha Sankar Saha\*  
Dr. Mukund Chandra Mehta\*\*

### ABSTRACT

*Manipulating financial reports to show a strong accounting profit and good balance sheet position is one such practice. Stakeholders who otherwise do not have any access to the day-to-day affair of the business, have to depend upon the financial reports prepared by the company management using the loopholes of accounting regulations. Thus, a corporate accounting corruption would lead to huge loss to the entire stakeholder community of the concerned business. Numerous stakeholders of vested financial interest when loss a substantial portion of their wealth in a scam, it creates problem in the overall economy. A corruption also leaves a black mark over the regulatory environment of the country, which even sometimes deter new industrial project to enter the country impacting national economy. Against this backdrop, the current study makes an attempt to explore the relevant issues affecting statutory auditors' independence in the context of corporate accounting corruption based on gender of respondents.*

---

**Keywords:** Financial Reports, Stakeholders, Corporate Accounting Corruption, Statutory Auditors' Independence.

---

### Introduction

Operating results of a business enterprise is expressed through its Profit and Loss Account, Balance Sheet and other financial reports for the stakeholders (Freeman et. al. 1983). These financial statements are prepared based on applicable accounting regulatory framework. With a view to ensuring financial statements depicts 'true and fair' view of the financial affair of the business, accounting regulatory framework provides enough flexibility to the accountants or prepares of financial statement. However, this flexibility is often misused and company's financial position is massaged to a great extent for meeting personal greed or market expectation. This is known as creative accounting. Sometimes, companies continuing with their creative accounting practices are forced to step outside accounting regulations. This is known as accounting fraud. An accounting fraud when proved in the court of law is known as accounting scandal. The main motive of business operation is to earn profit and create value for the stakeholders. If the management fails to attain this end, stakeholders would terminate their financial relationship with the company leading to its demise. So, in order to keep the stakeholders, management of the business often resort to some malpractices (Zabiollah, 2009). Manipulating financial reports to show a strong accounting profit and good balance sheet position is one such practice. Stakeholders who otherwise do not have any access to the day-to-day affair of the business, have to depend upon the financial reports prepared by the company management using the loopholes of accounting regulations (Alexander et. al. 2004). Thus, a corporate accounting corruption would lead to huge loss to the entire stakeholder community of the concerned business. Numerous stakeholders of vested financial interest when loss a substantial portion of their wealth in a scam, it creates problem in

---

\* Professor of Commerce, and Former Head, P.G. Department of Commerce, University of Calcutta, Kolkata, West Bengal, India.

\*\* Associate Professor of Commerce, University Department of Commerce and Business Management, Ranchi University, Ranchi, India.

the overall economy (Winkler, 2004). A corruption also leaves a black mark over the regulatory environment of the country, which even sometimes deter new industrial project to enter the country impacting national economy (Rockness et. al. 2005).

### **Past Studies and Research Gap**

Arens, & Elder (2006) in their study "*Perspective of Auditing education after Sarbanes Oxley*" provided that in recent corporate accounting scam, auditors' independence has been impacted to a great extent. Then SOX Act was introduced to improve statutory auditors' independence. According to the authors, present accounting curriculum does not cover all the aspects and new modifications made in the Act, which should be taken into consideration. Beaulieu & Reinstein (2006) in their study "*The Effect of Accounting Research on the Beliefs of Practitioners: the Case of Auditor Independence*" statistically analysed impact of accounting research articles and theses on the opinion of auditors and non-auditors. As per SOX Act, non-audit service reduces independence of auditors. Non-auditors believed in this view in contrast to the auditors who are constantly influenced by the corporate lobbyist to perform non-audit services. Chakraborty (2008) in his study "*Education about the values is the need of the hour*" proposed the need for moral education apart from technical education and suggested that moral education will help professional accountants to go beyond tricky materiality and develop their independence and professional integrity. Crutchley, Jensen and Marshall (2007) in their study "*Climate for Scandal: Corporate Environment that contribute to Accounting Fraud*" analysed the governance mechanism, earnings quality, growth rate, dividend policy of 97 companies under examination of Securities Exchange Commission (SEC) and came to conclusion that corporate environment facilitating growth and providing scope for earning smoothing is the main reason of accounting fraud. Lack of independence of auditors, audit committee and directors, were also held responsible for this fraud. Dastur (1998) in his study "*Inadequate safeguards*" examined the concept of auditors' independence in the backdrop of present legal framework and identifies its inadequacies. The author also proposed some suggestions to improve auditors' independence. Fearnley, Beattie & Brandt (2005) in their study "*Auditor independence and audit risk: A re-conceptualisation*" demonstrated regulatory responses for mitigating audit risk and safeguarding threats to independence. The authors provided comparative case studies of 6 UK companies and it revealed that strong regulatory hold may not always be sufficient to reduce threats to independence. Lack of safeguards also causes audit risk.

In the previous section, a comprehensive picture of literatures based on secondary sources of information on statutory auditors' independence in the backdrop of corporate accounting corruption have been presented. Though there is good number of perception-based study on statutory auditors' independence, the study based on opinions of different categories of respondents related to the operations of statutory auditors were not made effectively. This limitation of the past studies prompts us to analyse the respondents' perceptions on the aforesaid theme with the following objective.

### **Objective of the Study**

The major objective of the study is to explore the relevant issues affecting statutory auditors' independence in the context of corporate accounting corruption based on gender of respondents.

### **Research Methodology**

The present study is exploratory in nature. The methodology, as adopted in pursuing the study, has been organized in the following paragraphs:

- **Sample Design:** Primary data for the study has been collected from different categories of respondents having adequate knowledge and experience in the related field. Both male and female respondents have contributed their opinion in the research. The geographical area where the survey is conducted is Kolkata district in the state of West Bengal, India. As population size is infinite, an attempt has been made to determine the sample size based on convenience sampling method. At the beginning, total respondents have been grouped into three categories: Academic, Professional and Other Group. (a) Academicians and (b) Students have come under the 'Academic Group'. 'Professional Group' comprises (a) Chartered Accountants (CA) and (b) Cost and Management Accountants (CMA) both in practice and in service in Kolkata. Finally, the 'Other Group' includes (a) Senior Functionaries of the institutionalized investing companies and (b) individual investors. The Population size under each aforesaid category is infinite and indeterminable. Thus, an initial representative sample of 150 respondents has been selected for each subcategory under 'Academic and Professional Group' and an initial sample of 100 respondents has been selected for 'Other Group' based on

convenience sampling technique. Hence, total sample size was 700 respondents initially, while we have collected questionnaire from 477 respondents finally. Based on subjective judgment, responses have been collected from those who by virtue of their profession are able to provide their thoughtful opinion in the present research.

- **Collection of Data:** The enquiry has been made after going through primary data from the field survey. The primary data has been collected from aforesaid respondents in a pre-tested, close-ended, structured questionnaire containing total 16 statements. The questionnaire for the aforesaid theme is designed in a 'Likert' 5 point scale (5 representing 'Strongly Agree' (SA), 4 representing 'Agree' (A), 3 representing 'Neutral' (N), 2 representing 'Disagree' (D), 1 representing 'Strongly Disagree' (SD)). Initially, a pilot survey was conducted with close-ended structured questionnaire in Kolkata region, while a modified version of questionnaire has been developed subsequently. After that, each of the respondents from the sample size has been contacted over phone or in person to take an appointment with them. Subsequently, they have been visited in their convenient time and place and their opinions have been incorporated in the questionnaire. If the respondents have any other suggestions in this area, they have also been taken into consideration for inclusion in the final analysis. Out of 150 initial sample set for academicians, CAs, CMAs and students, 111 valid responses are collected from academicians, 101 valid responses are collected from CAs, 94 valid responses are collected from CMAs and 118 valid responses are collected from students. An initial sample of 100 was set for investor category. Only 53 valid responses were collected from them.
- **Variables considered for the current study:** Issues (the variables considered for the current study) on which opinions of respondents are collected can be presented as follows:

No. of Variables	Statements/ Variables
V <sub>1</sub>	Creative Accounting and Accounting Fraud are same
V <sub>2</sub>	Flexibility in Generally Accepted Accounting Principles (GAAP) generates Corporate Accounting Scam (CAS)
V <sub>3</sub>	Seriousness of Statutory Auditors (SAs)
V <sub>4</sub>	Negligence of Statutory Auditors (SAs)
V <sub>5</sub>	Lack of Enforceability of Code of Ethics
V <sub>6</sub>	Procedure of Appointment of Statutory Auditors (SAs)
V <sub>7</sub>	Independent Appointing Authority for Statutory Auditors (SAs)
V <sub>8</sub>	Long Auditor Relationship
V <sub>9</sub>	1-year rotation
V <sub>10</sub>	3-years rotation
V <sub>11</sub>	Maximum limit of Audit Fee
V <sub>12</sub>	Implementation of International Financial Reporting Standards (IFRSs)
V <sub>13</sub>	Rendering non-audit services
V <sub>14</sub>	Prohibition of non-audit services
V <sub>15</sub>	Exemplary punishment
V <sub>16</sub>	Relaxation of listing requirement

- **Statistical Tools used for Interpretation**

After collection of primary data through field survey, an attempt has been made to analyse these data based on gender of respondents with the help of statistical package (SPSS 17.0). From all the questions (i.e. variables) considered under the main theme of the study, cross-sectional analysis has been done using percentage and bar chart analysis.

#### Demographic Profile of the Respondents

In this section, demographic profile of the respondents according to their gender shown in Table -1 here.

**Table 1: Demographic Profile of Respondents based on Gender**

Based on Gender					
Male		Female		Total	
Frequency	%	Frequency	%	Frequency	%
401	84.1	76	15.9	477	100

Source: Compilation of Field Survey Data using SPSS 17.0

**Analysis and Discussion of Responses Based on Gender of Respondents**

All respondents participated in this current research can be categorised under male and female respondents. Now, let us analyse opinion of male and female respondents under the following paragraphs.

**V<sub>1</sub>: Creative Accounting and Accounting Fraud are Same**

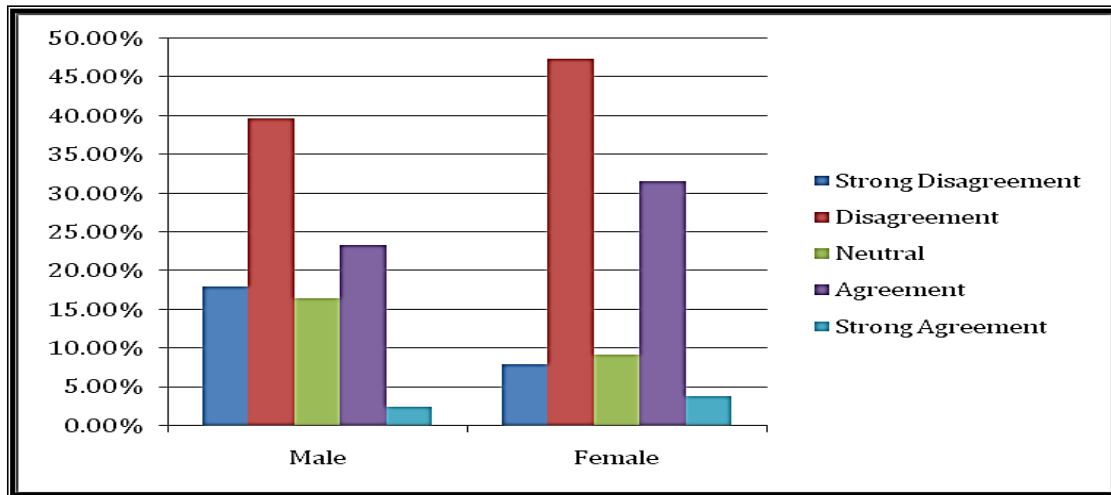
In some countries, creative accounting is allowed to use flexibility with accounting regulation. But in some other countries, it is treated as equally illegal with accounting fraud. Thus, opinions of male and female respondents are collected to know their degree of agreement with similarity between creative accounting and accounting fraud. These opinions are presented here.

**Table 2: Gender wise Opinion of Respondents on 'Creative Accounting and Accounting Fraud are same'**

		Degree of Agreement					Total	
		Strong Disagreement	Disagreement	Neutral	Agreement	Strong Agreement		
Gender	Male	Count	72	159	66	94	10	401
		%	18.0%	39.7%	16.5%	23.4%	2.5%	100.0%
	Female	Count	6	36	7	24	3	76
		%	7.9%	47.4%	9.2%	31.6%	3.9%	100.0%
Total		Count	78	195	73	118	13	477
		%	16.4%	40.9%	15.3%	24.7%	2.7%	100.0%

Source: Compilation of Field Survey Data using SPSS 17.0

**Figure 1**



**Inferences**

More than 50% of male population are in disagreement with this issue. Maximum percentage of males (39.7%) disagrees with this fact that creative accounting and accounting fraud are same from legal perspective. More than 50% of female population are in disagreement with this issue. Maximum percentage of females (47.4%) disagrees with this fact that creative accounting and accounting fraud are same from legal perspective. Majority of both male and female respondents do not think creative accounting and fraud are same from legal perspective. Relative disagreement of male respondents is more than female respondents.

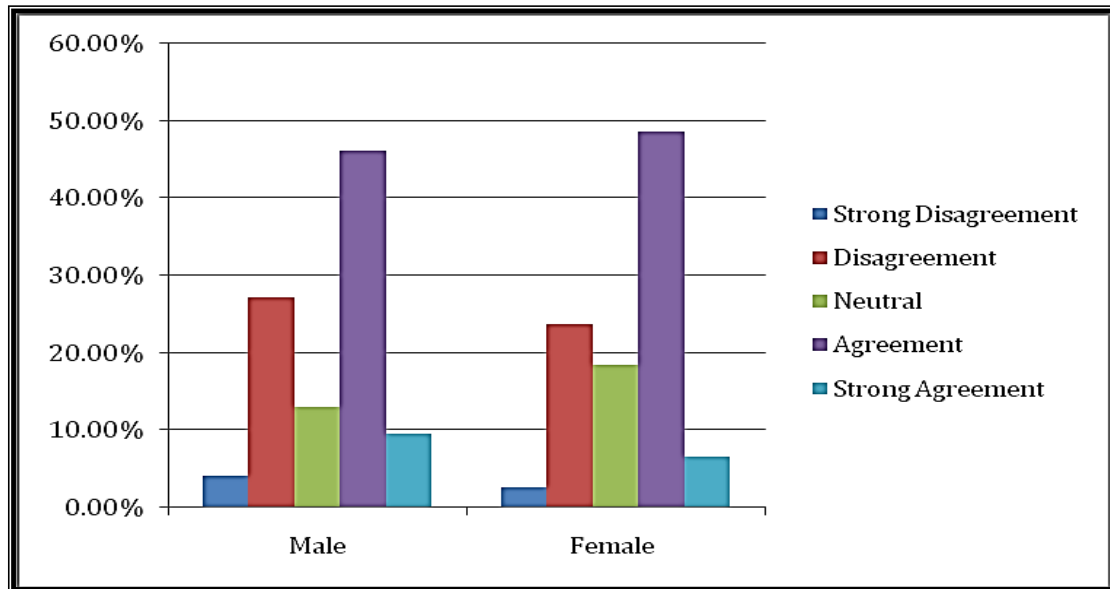
**V<sub>2</sub>: Flexibility in Generally Accepted Accounting Principles (GAAP) generates Corporate Accounting Scandal (CAS)**

Flexibility present within accounting regulation allows preparers of financial statements to use alternative choices and ambiguities in accounting regulation available to them in manipulating financial statements accordingly. These practices sometimes lead to accounting scandal. Therefore, opinions of male and female respondents are collected to know their degree of agreement with impact of flexibility of accounting regulation on corporate accounting scandal. These opinions are presented here.

**Table 3: Gender wise Opinion of Respondents on 'Flexibility of GAAP Generates CAS'**

		Degree of Agreement					Total	
			Strong Disagreement	Disagreement	Neutral	Agreement	Strong Agreement	
Gender	Male	Count	17	109	52	185	38	401
		%	4.2%	27.2%	13.0%	46.1%	9.5%	100.0%
	Female	Count	2	18	14	37	5	76
		%	2.6%	23.7%	18.4%	48.7%	6.6%	100.0%
Total		Count	19	127	66	222	43	477
		%	4.0%	26.6%	13.8%	46.5%	9.0%	100.0%

Source: Compilation of Field Survey Data using SPSS 17.0

**Figure 2****Inferences**

Majority of male respondents thinks flexibility in accounting regulatory framework is the reason behind accounting scandal. Maximum percentage (46.1%) of male agrees with this fact that flexibility in GAAP generates CAS. Majority of female respondents thinks flexibility in accounting regulatory framework is the reason behind accounting scandal. Maximum percentage (48.7%) of female agrees with this fact that flexibility in GAAP generates CAS. Majority of both male and female population agree though not strongly agree with this fact that flexibility in GAAP creates CAS. Relative agreement of female respondents is more than male respondents for this statement.

**V<sub>3</sub>: Seriousness of Statutory Auditors (SAs)**

If statutory auditors were serious enough in performing their duty, accounting fraud could be avoided to some extent. Thus, opinions of male and female respondents collected to know their degree of agreement with seriousness of statutory auditors.

**Table 4: Gender wise Opinion of Respondents on 'Seriousness of SAs'**

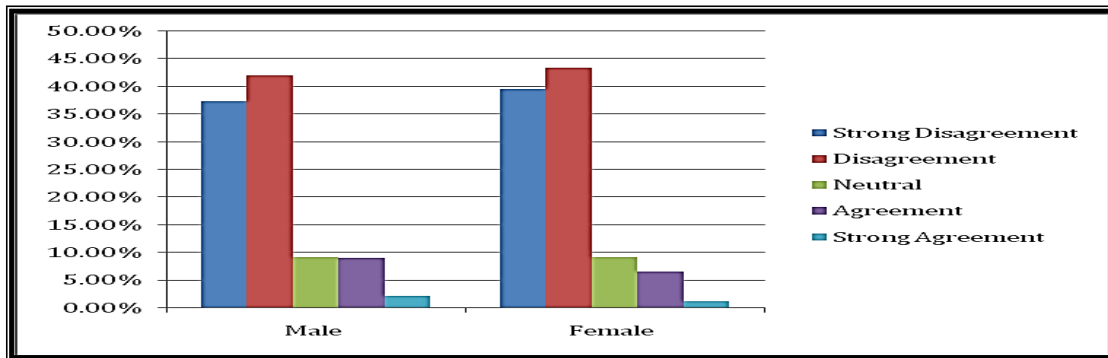
		Degree of Agreement					Total	
			Strong Disagreement	Disagreement	Neutral	Agreement	Strong Agreement	
Gender	Male	Count	150	169	37	36	9	401
		%	37.4%	42.1%	9.2%	9.0%	2.2%	100.0%
	Female	Count	30	33	7	5	1	76
		%	39.5%	43.4%	9.2%	6.6%	1.3%	100.0%
Total		Count	180	202	44	41	10	477
		%	37.7%	42.3%	9.2%	8.6%	2.1%	100.0%

Source: Compilation of Field Survey Data using SPSS 17.0

**Inferences**

Majority of male respondents do not think statutory auditors were serious enough in performing their duty in recent corporate accounting scams. Maximum portion of male respondents (42.1%) disagrees with the fact that statutory auditors were serious while a considerable portion (37.4%) strongly disagrees with it. A similar trend is seen in female respondents. While maximum percentage (43.4%) of female respondents disagrees with seriousness of statutory auditors in recent scams, a good proportion (39.5%) strongly disagrees with this statement. Majority of both male and female population do not think statutory auditors were serious in performing their duty. However, the percentage of female respondents disagreeing or strongly disagreeing with this statement is slightly higher than that of male respondents. Relative disagreement of female respondents is more than male respondents.

**Figure 3**



**V4: Negligence of SAs**

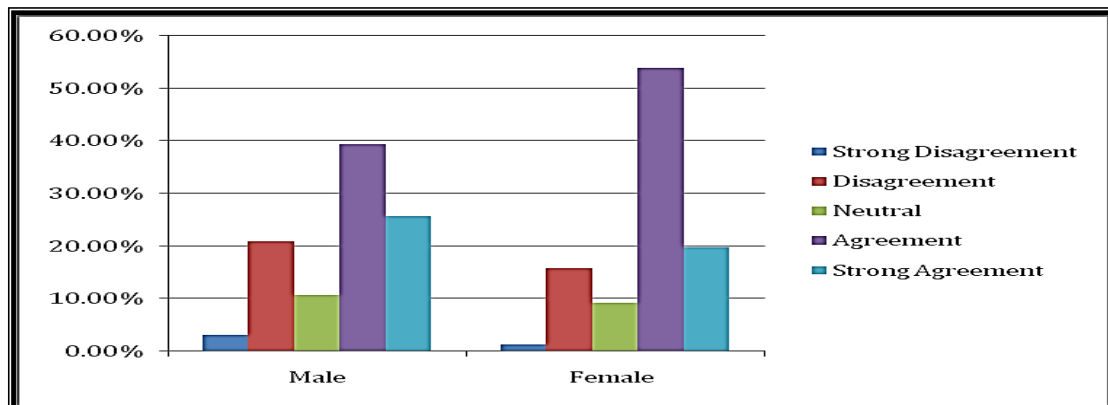
In recent corporate accounting scandals after the investigation, it was found that statutory auditors (SAs) were negligent in performing their duty that ultimately led to the fraud. Here, opinions of male and female respondents are collected to know their degree of agreement with negligence of statutory auditors.

**Table 5: Gender wise Opinion of Respondents on 'Negligence of SAs'**

			Degree of Agreement					Total
			Strong Disagreement	Disagreement	Neutral	Agreement	Strong Agreement	
Gender	Male	Count	13	84	43	158	103	401
		%	3.2%	20.9%	10.7%	39.4%	25.7%	
	Female	Count	1	12	7	41	15	76
		%	1.3%	15.8%	9.2%	53.9%	19.7%	
Total		Count	14	96	50	199	118	477
		%	2.9%	20.1%	10.5%	41.7%	24.7%	

Source: Compilation of Field Survey Data using SPSS 17.0

**Figure 4**



**Inferences**

Maximum percentage of male respondents (39.4%) agrees with this fact that statutory auditors were negligent in performing their duty while a good proportion of male respondents (25.7%) strongly agree with it. Similar trend is followed in case of female respondents. Percentage of female respondents agreeing with this statement is itself more than 50% (53.9%). A small percentage of female respondents (19.7%) also strongly agree with this statement. Majority of both male and female respondents think statutory auditors were negligent in performing their duty in recent corporate accounting scam. Although, percentage of female respondents agreeing with this statement is higher than that of male respondents, percentage of male respondents strongly agreeing with this statement is more than that of female respondents. Relative agreement of female respondents is more than male respondents for this statement.

**V5: Lack of enforceability of code of ethics**

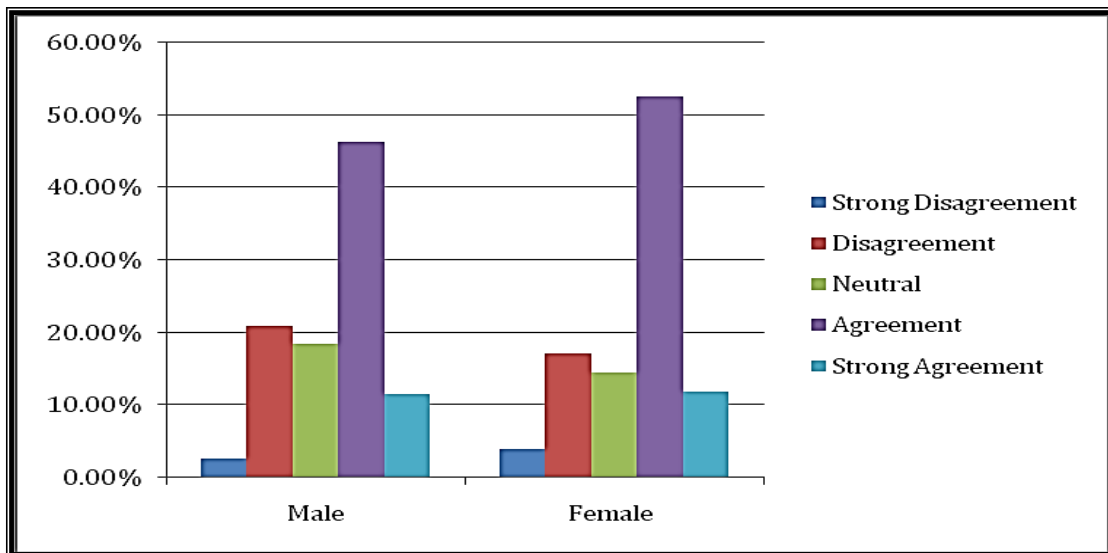
Code of ethics dictates ethical responsibility of statutory auditors and prescribes rules so that auditors can maintain their independence. But recent corporate accounting scandals raised question about enforceability of code of ethics. So, opinions of male and female respondents are collected to know their degree of agreement lack of enforceability of code of ethics.

**Table 6: Gender wise Opinion of Respondents on ‘Lack of Enforceability of Code of Ethics’**

			Degree of Agreement					Total
			Strong Disagreement	Disagreement	Neutral	Agreement	Strong Agreement	
Gender	Male	Count	11	84	74	186	46	401
		%	2.7%	20.9%	18.5%	46.4%	11.5%	
	Female	Count	3	13	11	40	9	76
		%	3.9%	17.1%	14.5%	52.6%	11.8%	100.0%
Total		Count	14	97	85	226	55	477
		%	2.9%	20.3%	17.8%	47.4%	11.5%	100.0%

Source: Compilation of Field Survey Data using SPSS 17.0

**Figure 5**



**Inferences**

Percentage of male respondents agreeing with lack of enforceability of code of ethics for statutory auditors is the highest (46.4%). Maximum percentage of female respondents (52.6%) is agreeing with this given statement. Majority of male and female respondents think code of ethics framed for statutory auditors are not properly enforced. However, percentage of female respondents with agreement to the given statement is more than that of male respondents. Relative agreement of female respondents is more than male respondents for this statement.

**V6: Procedure for appointment for SAs**

Statutory auditors are appointed on the recommendation of management. This gives management enough scope to influence statutory auditors. So, opinions of male and female respondents are collected to know their degree of agreement with justification of this present procedure of appointment.

**Table 7: Gender wise Opinion of Respondents on ‘Procedure of Appointment of SAs’**

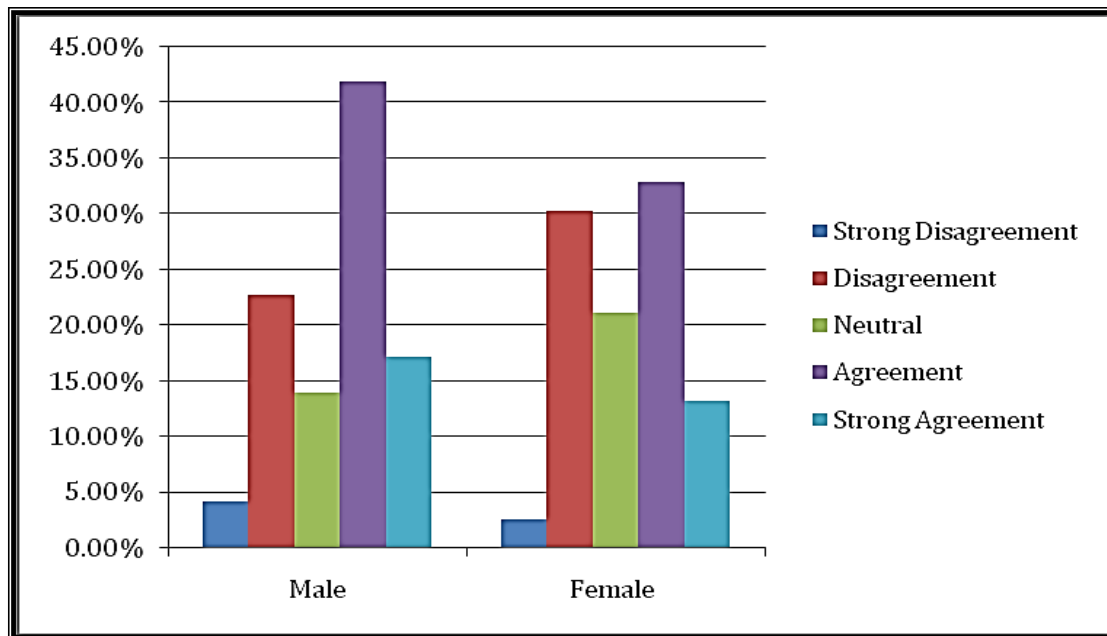
			Degree of Agreement					Total
			Strong Disagreement	Disagreement	Neutral	Agreement	Strong Agreement	
Gender	Male	Count	17	91	56	168	69	401
		%	4.2%	22.7%	14.0%	41.9%	17.2%	100.0%
	Female	Count	2	23	16	25	10	76
		%	2.6%	30.3%	21.1%	32.9%	13.2%	100.0%
Total		Count	19	114	72	193	79	477
		%	4.0%	23.9%	15.1%	40.5%	16.6%	100.0%

Source: Compilation of Field Survey Data using SPSS 17.0

**Inferences**

Maximum percentage of male respondents (41.9%) agrees with this fact that procedure of appointment of statutory auditors i.e. appointment made on recommendation of management hastens possibilities of corporate accounting scams. Almost same trend is followed in case of female respondents. Here also maximum portion (32.9%) of female respondents agrees with the given statement. However, an almost similar percentage (30.3%) of female respondents also disagrees with this given statement. Majority of male respondents surely think procedure of appointment for statutory auditors impair their independence. However, there is a clear segregation within female respondents. While a good portion of female respondents agree with this statement there is almost equal portion within female respondents who disagrees with this fact. Naturally, it can be said that male respondents are more inclined to agree side than female respondents for this given statement.

**Figure 6**



**V7: Independent appointing authority for SAs**

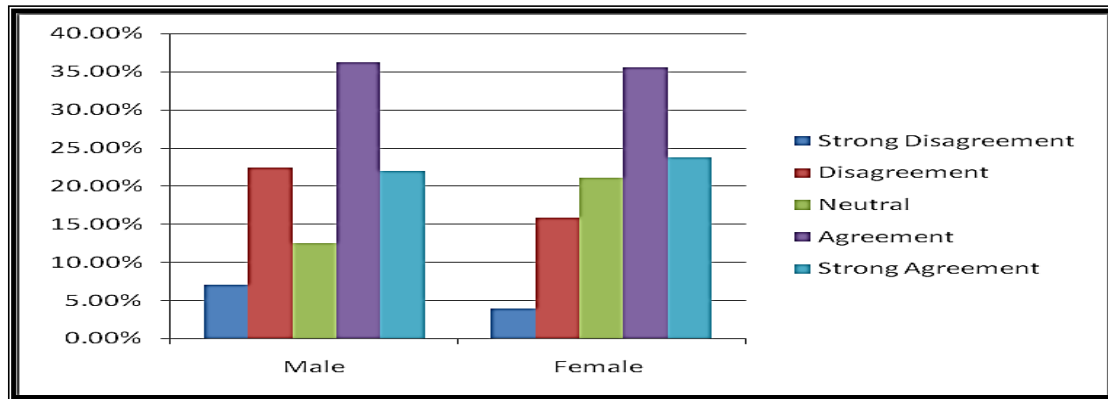
This statement is linked with previous statement. If the right of appointing statutory auditors is taken from management and given to an independent appointing authority statutory auditors' independence could be protected to some extent. Thus, opinions of male and female respondents are collected to know their degree of agreement with establishment of an independent appointing authority.



**Table 8: Gender wise Opinion of Respondents on 'Independent Appointing Authority for SAs'**

		Degree of Agreement					Total	
		Strong Disagreement	Disagreement	Neutral	Agreement	Strong Agreement		
Gender	Male	Count	28	90	50	145	88	401
		%	7.0%	22.4%	12.5%	36.2%	21.9%	100.0%
	Female	Count	3	12	16	27	18	76
		%	3.9%	15.8%	21.1%	35.5%	23.7%	100.0%
Total		Count	31	102	66	172	106	477
		%	6.5%	21.4%	13.8%	36.1%	22.2%	100.0%

Source: Compilation of Field Survey Data using SPSS 17.0

**Figure 7****Inferences**

Maximum portion of male respondents (36.2%) think that an independent appointing authority for statutory auditors would restore their independence and reduce possibility of accounting scandal. A good proportion (21.9%) of male respondents strongly recommended this move while almost an equal proportion of male respondents (22.4%) disagree with the given statement. Here, maximum proportion (35.5%) of female respondents agrees with this statement also while a considerably good proportion (23.7%) strongly agrees with it. A good percentage (21.1%) of female population is also neutral in their approach with regard to independent appointing authority. Majority of both male and female respondent agree with establishing an independent authority for appointing statutory auditors. Almost equal percentage of male and female population shows agreement with this statement while a greater percentage of female respondents show strong agreement. However, percentage of male respondents disagreeing with this statement is more than that of female respondents. So finally, it can be said that female respondents are more inclined towards establishment of a separate body for appointing statutory auditors.

**V<sub>8</sub>: Long auditor relationship of SAs**

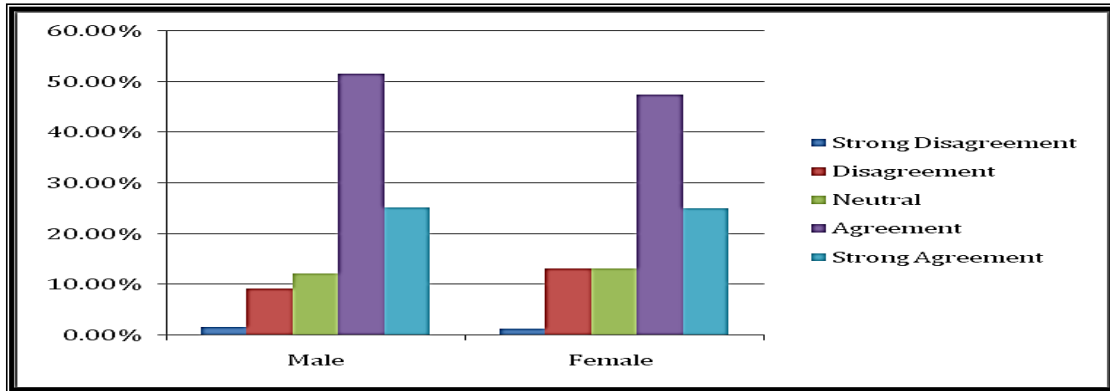
If any statutory auditor is appointed in a company for a long period of time, there is a possibility of increasing unholy connivance between management and auditors which will ultimately impair their independence. Thus, opinions of male and female respondents are collected to know their degree of agreement with impact of long auditors' relationship on statutory auditors' independence.

**Table 9: Gender wise Opinion of Respondents on 'Long Auditor Relationship of SAs'**

		Degree of Agreement					Total	
		Strong Disagreement	Disagreement	Neutral	Agreement	Strong Agreement		
Gender	Male	Count	7	37	49	207	101	401
		%	1.7%	9.2%	12.2%	51.6%	25.2%	100.0%
	Female	Count	1	10	10	36	19	76
		%	1.3%	13.2%	13.2%	47.4%	25.0%	100.0%
Total		Count	8	47	59	243	120	477
		%	1.7%	9.9%	12.4%	50.9%	25.2%	100.0%

Source: Compilation of Field Survey Data using SPSS 17.0

Figure 8



**Inferences**

Maximum percentage (51.6%) of male respondents agrees with this fact that long audit relationship of statutory auditors with their audit client affects their independence which ultimately hastens corporate accounting scandal. A good proportion (25.2%) of male respondents also strongly agree with this statement. A similar trend is found in case of female population. Maximum percentage (47.4%) of female respondents agrees with this statement. A good proportion of female respondents (25%) also strongly agree with this statement. Majority of both male and female respondents thinks long audit relationship of statutory auditors with their audit client impairs their independence. Percentage of male respondents agreeing with this statement is more than that of female respondents. Percentage of male and female population strongly agreeing to this statement is almost equal. Males are more in agreement with this statement in relation to females.

**V<sub>9</sub>: 1-year rotation**

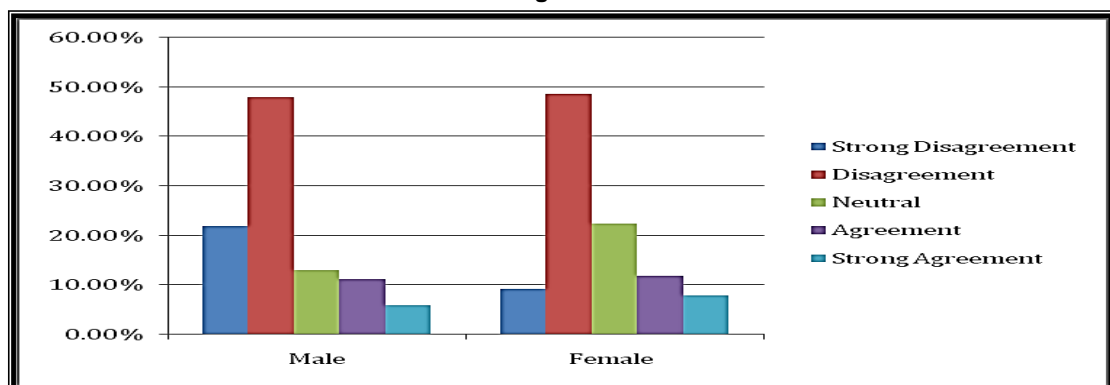
Rotation of appointment of statutory auditor is an important aspect in sustaining auditors' independence. Here, opinions of male and female respondents are collected to know their degree of agreement with rotation of auditor every year.

Table 10: Gender wise Opinion of Respondents on '1-Year Rotation'

		Degree of Agreement					Total	
		Strong Disagreement	Disagreement	Neutral	Agreement	Strong Agreement		
Gender	Male	Count	88	192	52	45	24	401
		%	21.9%	47.9%	13.0%	11.2%	6.0%	100.0%
	Female	Count	7	37	17	9	6	76
		%	9.2%	48.7%	22.4%	11.8%	7.9%	100.0%
Total		Count	95	229	69	54	30	477
		%	19.9%	48.0%	14.5%	11.3%	6.3%	100.0%

Source: Compilation of Field Survey Data using SPSS 17.0

Figure 9



### Inferences

Majority of male respondents (47.9%) disagree with the proposal of 1 year rotation of statutory auditors. A considerable portion (21.9%) of male respondents even strongly disagree with it. Female respondents also show same trend. Here also proportion of female respondents disagreeing with this statement is quite high (48.7%). However, a good percentage of female respondents are neutral in their opinion on this issue (22.4%). Majority of male and female respondents do not think statutory auditors should be rotated just after 1 year. Proportion of female respondents disagreeing with this statement is slightly higher than percentage of male respondents. However, percentage of male respondents strongly disagreeing with this statement is way more than that of female respondents. Male respondents are more inclined to disagreement than female respondents for this given statement.

#### V<sub>10</sub>: 3-years rotation

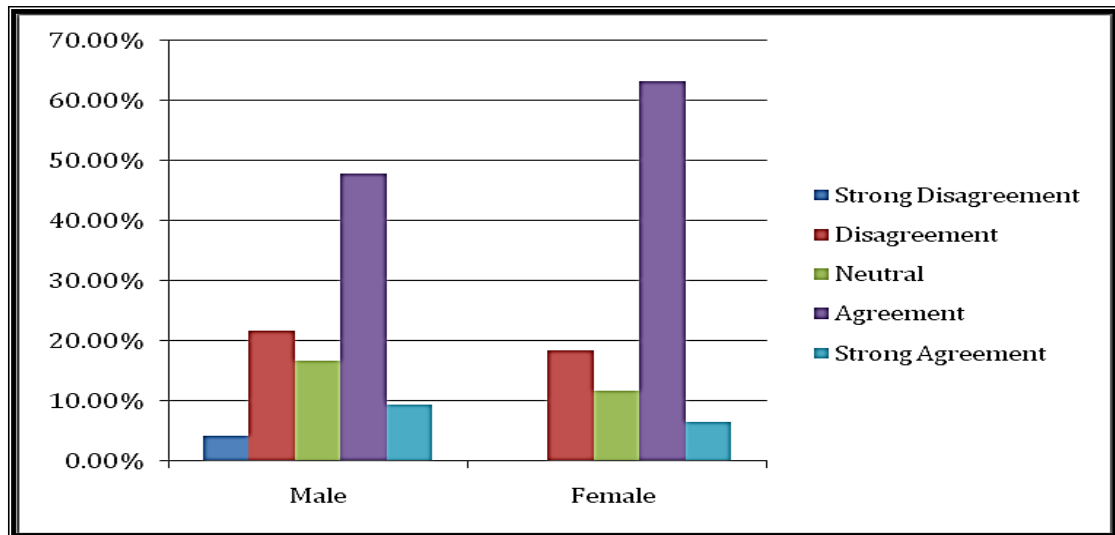
This question is linked with above question. Here, opinions of male and female respondents are collected to know their degree of agreement with rotation of auditor every 3 years. Opinions of respondents are presented in the following table.

**Table 11: Gender wise Opinion of Respondents on '3-Years Rotation'**

		Degree of Agreement					Total	
		Strong Disagreement	Disagreement	Neutral	Agreement	Strong Agreement		
Gender	Male	Count	17	87	67	192	38	401
		%	4.2%	21.7%	16.7%	47.9%	9.5%	100.0%
	Female	Count	0	14	9	48	5	76
		%	.0%	18.4%	11.8%	63.2%	6.6%	100.0%
Total		Count	17	101	76	240	43	477
		%	3.6%	21.2%	15.9%	50.3%	9.0%	100.0%

Source: Compilation of Field Survey Data using SPSS 17.0

**Figure 10**



### Inferences

Maximum percentage (47.9%) of male respondents agree with implementing 3 years rotation for statutory auditors. However, a good number of male respondents (21.7%) also disagree with this statement. A very good proportion of female respondents agree with this statement (63.2%) while a portion of female respondents is also showing their disagreement with it (18.4%). Majority of male and female respondents agree with implementing 3 years rotation for statutory auditors. Percentage of male respondents disagreeing with this statement than that of female respondents. A portion of male respondents also strongly disagree with this statement while no record of strong disagreement is found for female respondents. Female respondents are more inclined to agreement for this statement than male respondents.

**V<sub>11</sub>: Maximum Limit of Audit Fee**

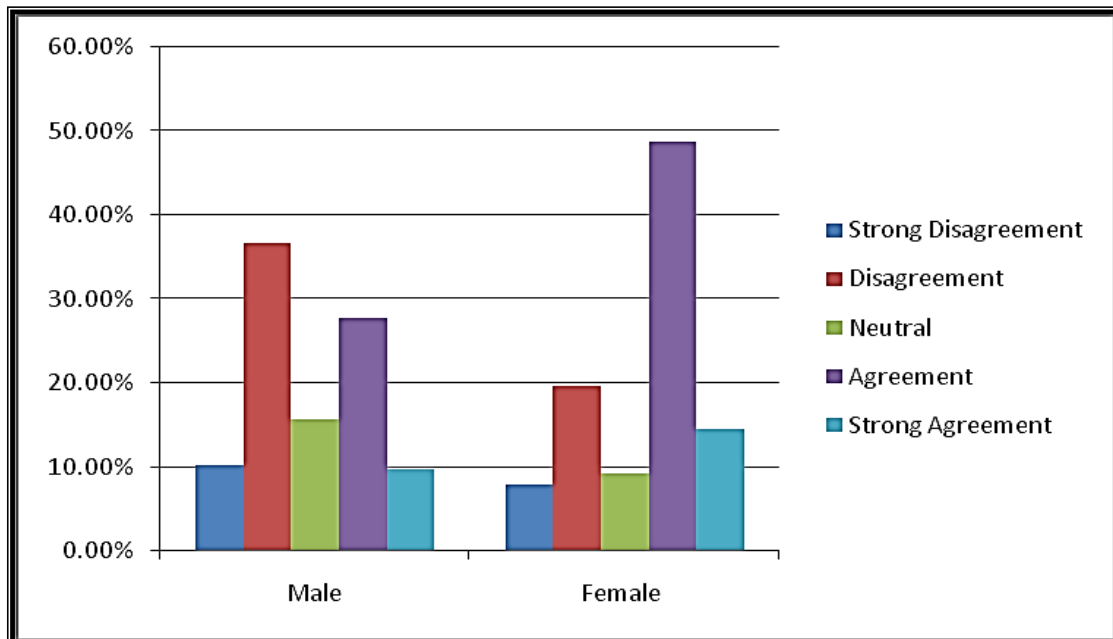
Sometimes statutory auditors could be manipulated by paying them an audit fee more than what they are entitled to. This mechanism could impair their independence to some extent. Here, opinions of male and female respondents are collected to know their degree of agreement with impact of maximum limit of audit fee on statutory auditors' independence.

**Table 12: Gender wise Opinion of Respondents on 'Maximum Limit of Audit Fee'**

			Degree of Agreement					Total
			Strong Disagreement	Disagreement	Neutral	Agreement	Strong Agreement	
Gender	Male	Count	41	147	63	111	39	401
		%	10.2%	36.7%	15.7%	27.7%	9.7%	100.0%
	Female	Count	6	15	7	37	11	76
		%	7.9%	19.7%	9.2%	48.7%	14.5%	100.0%
Total		Count	47	162	70	148	50	477
		%	9.9%	34.0%	14.7%	31.0%	10.5%	100.0%

Source: Compilation of Field Survey Data using SPSS 17.0

**Figure 11**



**Inferences**

Maximum percentage of male respondents (36.7%) disagrees with establishing a maximum limit on audit fees of statutory auditors. However, a good proportion of male respondents (27.7%) also agree with this statement. Maximum percentage of female respondents (48.7%) shows their agreement with this statement. Majority of male respondents do not think there should be maximum limit on audit fee while majority of female respondents feel necessity for maximum limit for audit fee. A portion of male respondents also feel need for maximum limit of audit fee. However, that is much less than portion of female respondents agreeing with this statement. Based on this sample it can be said there is gender bias between male and female respondents for this statement.

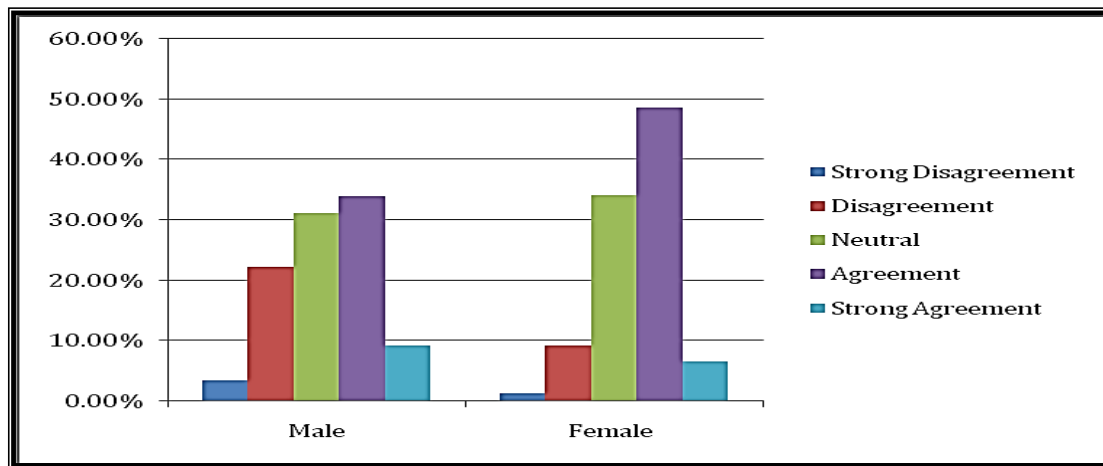
**V<sub>12</sub>: Implementation of International Financial Reporting Standards (IFRSs)**

As stated earlier, flexibility of principle-based accounting regulation causes creative accounting and ultimately accounting scandal. Most of the countries of the world are now converging towards IFRSs which also provides flexibility in accounting regulation. Thus, there is confusion whether implementation of IFRSs could actually reduce corporate accounting scandal. Opinions of male and female respondents are collected to know their degree of agreement on impact of IFRSs on corporate accounting scandal.

**Table 13: Gender wise Opinion of Respondents on 'Implementation of IFRSs'**

		Degree of Agreement					Total	
		Strong Disagreement	Disagreement	Neutral	Agreement	Strong Agreement		
Gender	Male	Count	14	89	125	136	37	401
		%	3.5%	22.2%	31.2%	33.9%	9.2%	
	Female	Count	1	7	26	37	5	76
		%	1.3%	9.2%	34.2%	48.7%	6.6%	
Total		Count	15	96	151	173	42	477
		%	3.1%	20.1%	31.7%	36.3%	8.8%	

Source: Compilation of Field Survey Data using SPSS 17.0

**Figure 12****Inferences**

Majority of male respondents (33.9%) agree with this fact that implementation of IFRS could reduce corporate accounting scandal to some extent. However, an almost equal proportion (31.2%) is neutral in their opinion for this particular statement. A section of male respondents (22.2%) also shows disagreement with this given statement. Majority of female respondents (48.7%) agree with this given statement. However, just like male respondents a good proportion of female respondents also show a neutral approach (34.2%). Majority of both male and female respondents agree with this fact that even though IFRS provides flexibility in accounting regulation its implementation could reduce corporate accounting scandal to some extent. An almost equal proportion of male and female respondents are neutral in their approach. Percentage of male respondents disagreeing with this statement is more than that of female respondents. So, female respondents are more inclined to agreement with this given statement.

**V<sub>13</sub>: Rendering Non-Audit Services**

Sometimes statutory auditors provide non-audit services apart from audit services to their audit client or outside against huge fees. This could impair quality of their audit work. Here, opinions of male and female respondents are collected to know their degree of agreement with impact of non-audit services on quality of audit job.

**Table 14: Gender wise Opinion of Respondents on 'Rendering Non-Audit Services'**

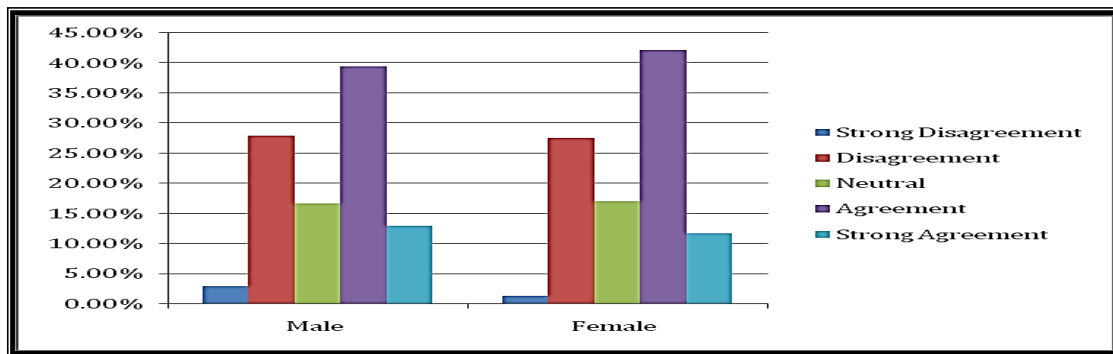
		Degree of Agreement					Total	
		Strong Disagreement	Disagreement	Neutral	Agreement	Strong Agreement		
Gender	Male	Count	12	112	67	158	52	401
		%	3.0%	27.9%	16.7%	39.4%	13.0%	
	Female	Count	1	21	13	32	9	76
		%	1.3%	27.6%	17.1%	42.1%	11.8%	
Total		Count	13	133	80	190	61	477
		%	2.7%	27.9%	16.8%	39.8%	12.8%	

Source: Compilation of Field Survey Data using SPSS 17.0

**Inferences**

Majority of male respondents (39.4%) agree with this fact that rendering non-audit services could impair quality of audit. However, a good proportion of male respondents (27.6%) disagree with this statement. Majority of female respondents (42.1%) shows their agreement with the given statement. Majority of both male and female respondents agree with this fact that if statutory auditors render non-audit services i.e. consultancy services it will impair their independence and in turn impair quality of their audit work. Percentage of female respondents agreeing with this statement is more than that of male respondents. For both respondent groups, a considerable portion also disagrees with the statement. However, percentage of male respondents disagreeing with this statement is slightly more than that of female respondents. Female respondents are more inclined to agreement than male respondents for this statement.

**Figure 13**



**V14: Prohibition of Non-Audit Services**

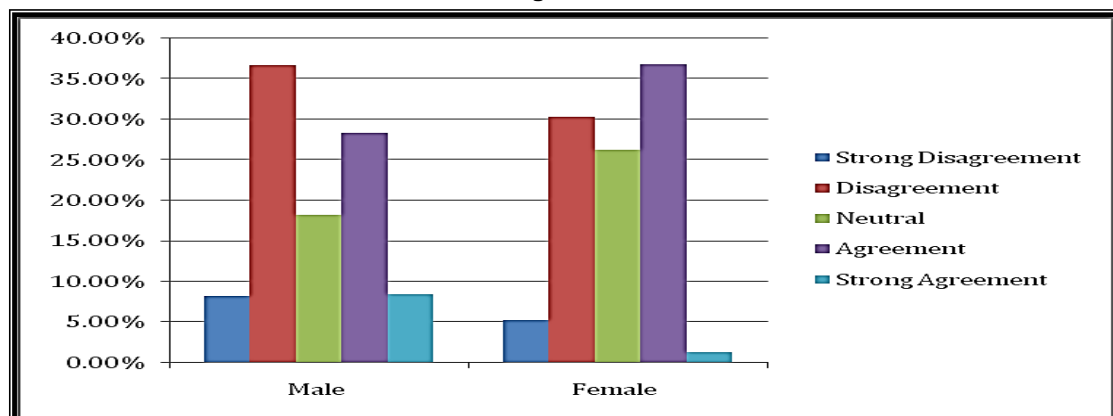
This question is linked with previous question. It proposes prohibiting statutory auditors from providing non-audit services. Opinions of male and female respondents are collected to know their degree of agreement with such proposal.

**Table 15: Gender wise Opinion of Respondents on 'Prohibition of Non-Audit Services'**

		Degree of Agreement					Total	
		Strong Disagreement	Disagreement	Neutral	Agreement	Strong Agreement		
Gender	Male	Count	33	147	73	114	34	401
		%	8.2%	36.7%	18.2%	28.4%	8.5%	100.0%
	Female	Count	4	23	20	28	1	76
		%	5.3%	30.3%	26.3%	36.8%	1.3%	100.0%
Total		Count	37	170	93	142	35	477
		%	7.8%	35.6%	19.5%	29.8%	7.3%	100.0%

Source: Compilation of Field Survey Data using SPSS 17.0

**Figure 14**



**Inferences**

Majority of male respondents (36.7%) disagree with complete prohibition of non-audit services by statutory auditors. However, a good proportion within male respondents (28.4%) agrees with this proposition. Majority of female respondents (36.8%) agree with this proposal of complete prohibition of non-audit services while almost an equal percentage (30.3%) disagree with it. A good proportion of female respondents are also neutral (26.3%) in their approach for this given statement. Majority of male respondents do not suggest prohibition of non-audit services while majority of female respondents is proposing exactly the same. However, none of the groups are in favour of strong acceptance or opposition of this proposal. In male respondents a portion is also there who are agreeing with this proposal. But their percentage is less than that of female respondents. Proportion of individual showing neutral approach is more for female respondents. There is gender bias in opinion for this given statement.

**V<sub>15</sub>: Exemplary Punishment**

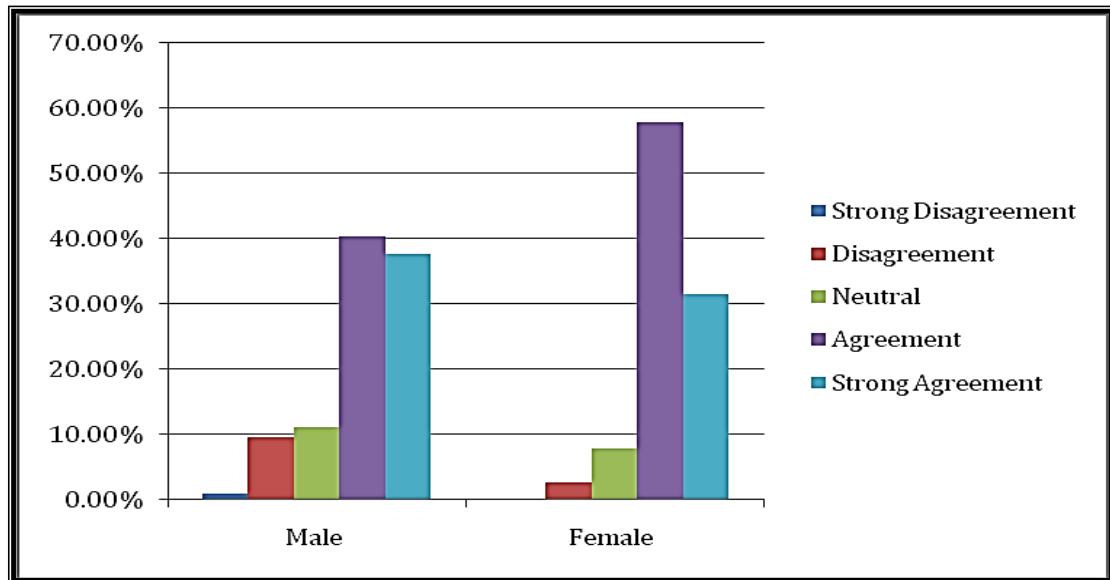
Exemplary punishments to responsible statutory auditors in a corporate accounting scam can discourage them in committing any fraud in future. Here, opinions of male and female respondents are collected to know their degree of agreement with impact of exemplary punishment on reduction of corporate accounting scam.

**Table 16: Gender wise Opinion of Respondents on ‘Exemplary Punishment’**

			Degree of Agreement					Total
			Strong Disagreement	Disagreement	Neutral	Agreement	Strong Agreement	
Gender	Male	Count	4	39	45	162	151	401
		%	1.0%	9.7%	11.2%	40.4%	37.7%	100.0%
	Female	Count	0	2	6	44	24	76
		%	.0%	2.6%	7.9%	57.9%	31.6%	100.0%
Total		Count	4	41	51	206	175	477
		%	.8%	8.6%	10.7%	43.2%	36.7%	100.0%

Source: Compilation of Field Survey Data using SPSS 17.0

**Figure 15**



**Inferences**

Majority of male respondents (40.4%) shows agreement with imposing exemplary punishment to the responsible statutory auditors in a corporate accounting scandal while an almost equal proportion within male respondents (37.7%) are showing strong agreement with this statement. Female respondents also show similar trend. Majority of female respondents (57.9%) agree with this statement while a good proportion of female respondents (31.6%) are showing strong agreement with it. Majority of male and

female respondents think exemplary punishment to responsible statutory auditors can reduce their involvement in future corporate accounting scandal. Percentage of female respondents agreeing with this statement is more than that of male respondents. Percentage of male respondents strongly agreeing with this statement is more than that of female respondents. Female respondents are more inclined to agreement than male respondents in relation to this given statement.

**V<sub>16</sub>: Relaxation of Listing Requirement**

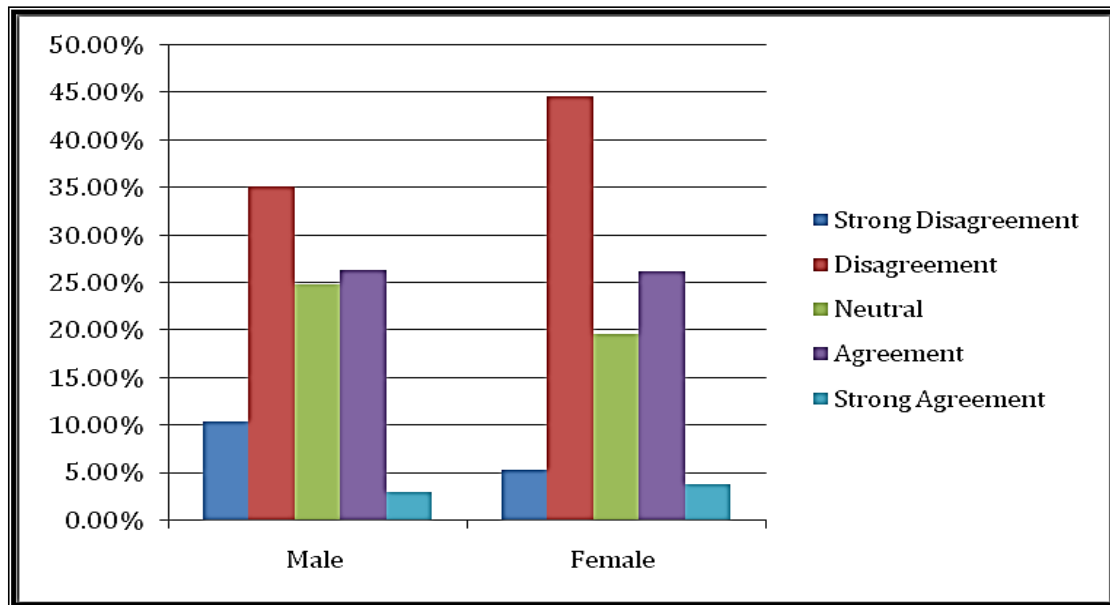
Sometimes, stringent listing requirement induces a company to massage their profit figures. So, relaxing stringent listing requirement could de-motivate management to manipulate their financial statements in reducing corporate accounting scandal. Here, opinions of male and female respondents are collected to know their degree of agreement with this proposal.

**Table 17: Gender wise Opinion of Respondents on 'Relaxation of Listing Requirement'**

			Degree of Agreement					Total
			Strong Disagreement	Disagreement	Neutral	Agreement	Strong Agreement	
Gender	Male	Count	42	141	100	106	12	401
		%	10.5%	35.2%	24.9%	26.4%	3.0%	
	Female	Count	4	34	15	20	3	76
		%	5.3%	44.7%	19.7%	26.3%	3.9%	
Total		Count	46	175	115	126	15	477
		%	9.6%	36.7%	24.1%	26.4%	3.1%	100.0%

Source: Compilation of Field Survey Data using SPSS 17.0

**Figure 16**



**Inferences**

Majority of male respondents (35.2%) disagree with the proposal of relaxing listing requirement with a view to reducing corporate accounting scandal. However, a good proportion (26.4%) is showing agreement to such proposals. An almost equal number of male respondents (24.9%) is showing a neutral approach to this statement. Majority of female respondents (44.7%) are showing disagreement to the given statement. Stringent listing requirements sometimes induce a company to manipulate their financial numbers. But majority of both male and female respondents do not think relaxing listing requirement would any way help to reduce corporate accounting scandal. Percentage of female respondents disagreeing with this statement is more than that of male respondents. However, percentage of male respondents agreeing to this statement is slightly high than that of female respondents. Percentage of male respondents showing a neutral approach is more than that of female respondents. Relative disagreement of female respondents is more than male respondents for this statement.



### Conclusion

The study observed that the majority of both male and female population think creative accounting is the result of flexibility in accounting regulatory framework and it is different from accounting fraud. Recession in stock market and negative impact on economic growth are indicators of corporate accounting scandal according to them. Both male and female respondents feel code of ethics for statutory auditors are not properly enforced. Majority of both male and female respondents think procedure of appointment, close long audit relationship, rendering non-audit service are the reason behind impairment of statutory auditors' independence. As a measure of solution both male and female respondents proposed establishment of an independent appointing authority for statutory auditors, rotation, exemplary punishment, etc. However, they preferred 3-years rotation over 1-year. There are gender biases over two solutions for restoring independence of auditors. They are: maximum limit on audit fee and prohibition on non-audit services given by statutory auditors. Here, male respondents do not suggest implementation of these measures while female respondents are proposing it. Female respondents are more inclined to disagreement than male respondents in relation to: (a) similarity of creative accounting and fraud, (b) seriousness of statutory auditors, and (c) relaxing listing requirement. Female respondents are more inclined to agreement than male respondents in relation to: (a) flexibility in GAAPs as reason to creative accounting, (b) lack of enforceability of code of ethics, (c) establishment of an independent appointing authority, (d) 3 years rotation, (e) implementation of IFRSs, (f) non-audit services causing impairment of independence, and (h) exemplary punishment to statutory auditors. Male respondents are more inclined to disagreement than female respondents in relation to 1-year rotation. Male respondents are more inclined to agreement than female respondents in relation to: (a) procedure of appointment causing impairment of independence, and (b) long auditor relationship causing impairment of independence.

### References

1. Arens, A., & Randal J. Elder (2006). *Perspective of Auditing education after Sarbanes Oxley*, Issues in Accounting Education, Vol. 21, Issue 4, 345-362
2. Alexander, D., & Britton, A. (2004). *Financial Reporting*. London: Cengage Learning EMEA.
3. Basilevsky, A. (1994). *Statistical Factor Analysis & Related Methods: Theory and Applications*. New York: John Wiley.
4. Beaulieu, P., & Reinstein, A. *The Effect of Accounting Research on the Beliefs of Practitioners: The Case of Auditor Independence*, Working Draft
5. Chakraborty, P.K (2008). *Education about the values is the need of the hour*, Chartered Accountant, Vol. 56, No. 7; pp. 1119-1127
6. Crutchley, Claire E., Jensen, M. R.H. & Beverly B. Marshall (2007). *Climate for Scandal: Corporate Environment that Contribute to Accounting Fraud*, The Financial Review, Vol. 42, 53-73.
7. Dastur, Jal E (1998). *Inadequate safeguards*, Chartered Accountant, Vol. 47, No. 1, 207-213
8. Fearnley, S., Beattie, Vivien A. & Brandt, R (2005). *Auditor independence and audit risk: A reconceptualization*, Journal of International Accounting Research, Vol. 4, Issue 1, 39-71
9. Freeman, R., & Reed, D. (1983). Stockholders and Stakeholders: A New Perspective on Corporate Governance. *California Management Review*, 25(3), 88-106.
10. Rockness, H., & Rockness, J. (2005). Legislated Ethics: From Enron to Sarbanes-Oxley, the Impact on Corporate America. *Journal of Business Ethics*, 57, 31-54
11. Winkler, A. (2004). *Corporate Law or Law of Business? Stakeholders and Corporate Governance at the end of History*. Law and Contemporary Problems, 67(4), 109-133
12. Zabiollah, R. (2009). *Corporate Governance and Ethics*. New Jersey: John Wiley & Sons Inc.

