

THE INFLUENCE OF CORRECTIVE ACTIONS ON CORPORATE PUBLIC'S TRUST AND PERCEPTION TOWARDS THE ACCOUNTING PROFESSION'S INDEPENDENCE STATES, WITH REGARDS TO ENRON EVENTS

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ABSTRACT

Independence is the core underlying characteristics that all auditors possess. After the downfall of the Enron empire, auditor's independence has been questioned by the public and the profession of undergoing severe scrutiny. Public's trust for the profession has dropped significantly following the case. The accounting profession and regulatory bodies has to take immediate corrective actions in order to restore public trust and confidence instead of just waiting for the trust to recover by itself. The purpose of this empirical study is to identify which are the corrective actions that would really enhance public trusts, and priorities the actions accordingly. The factors that would affect auditor's independence would be determined and ranked as well. As auditors are dealing with public at large, general assessment on four different industries is carried out, to find out whether are the industries perception indifferent. The methodology used in the study combined the use of questionnaire and semi-structured interviews to allow both breadth of coverage and the opportunity to probe deeper into the nature of the perceptions held. Interview was done with four auditors from the Big Four accounting firms and 100 sets of questioners were distributed in Selangor. 13 hypotheses were generated to test on the issues studies. Statistical testing used were mainly non-parametric tests, such as Kruskal-Wallis Test and Mann-Whitney U Test. Provision of non-audit services, long and close relationship with client, financial interest and undue dependence. This knowledge can provide a sound basis for policy-makers to develop an interdependence framework. Tougher auditing regulation and mandatory rotation for auditors are vital to restore public's trust and confidence. Finally, recommendations are given to restore public confidence.