Unearthing Auditing's Impact on Financial Performance in Malaysian Organizations

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Every business is expected to make long-term decisions that benefit the business, and they will rely on the financial statement at the end of the accounting period. Furthermore, a financial statement will show an organization's financial performance over the course of the year. Some theories, such as the agency theory, that highlight the conflict of interests is issue arise within an organization. Auditor who play an essential role to provide an authentic and confirmed financial report and lessen the impact of the issue of the conflict of interests. The purpose of this study is to start a discussion about whether an auditor can influence an organization's financial success. Furthermore, it is notable that there has been a dearth of research on how auditors affect the performance of organizations in Malaysia. Prior studies have covered a few areas of auditing impact particularly in the perspective of audit quality, however, a lack of a comprehensive view of auditing impact on an organization's financial performance. This study has the potential to shift some companies' perspectives and encourage them to use audit services more widely to ensure the accuracy of their financial statements. This study focuses on four auditing's impact factors: audit firm size, audit types, audit quality, and auditor experience, all of which are perceived to have a significant and positive impact on an organization's financial performance. A total of 74 valid and usable responses were gathered from Malaysian companies. The SPSS version 26 software was used in this study to measure the relationship between all variables using the validity test and interpretation, the reliability test and interpretation, multiple regression analysis, the hypothesis test (T-test), and the F test. Statistical analysis revealed that the size of the audit firm and the auditor's experience had a significant impact on organization's financial performance. Surprisingly, the types of audits and audit quality were discovered to have no significant influence on organization's financial performance. Furthermore, the Artificial Neural Network technique is used to describe the sensitivity analysis of the research model. Based on the analysis of 100% normalized relative importance test in Artificial Neural Network, the statistical findings indicate that auditors experience has the greatest effect on organization's financial performance (i.e. rank 1st), followed by audit firm size (i.e. rank 2nd), types of audit (i.e. rank 3rd), and audit quality (i.e. rank 4th). The study's findings have the aim to increase awareness and understanding of the inherent complexity of auditing practices, as well as explain how auditors contribute to a firm's financial position by preventing fraud and ensuring the transparency and legitimacy of financial statements. Additionally, this research would benefit other researchers by serving as an additional source of reference and guidance for those conducting similar research in a similar area.

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