



The Efficacy of Auditing in Enhancing Organizational Effectiveness

• Shikha Gupta • Navjyoti Shree • Tanu Priya
• Norin Raj Lakra

Received : November 2018

Accepted : March 2019

Corresponding Author : Norin Raj Lakra

Abstract : *This is a study undertaken with the objective to find out the efficacy of auditing in enhancing organisational effectiveness with special reference to Pantaloons, Patna, Bihar. It is an attempt to understand the level of effectiveness of the auditing process that is done in the organization to control the entire system with the help of management auditing. The main purpose of management auditing is the systematic evaluation of the activities at all levels of management to*

ascertain the functions, efficiency and achievement of the policies as compared to standards set by the organization.

Keywords: *Management Auditing, Forecasting, Profitability Analysis, Efficiency, Effectiveness.*

Shikha Gupta

BBA III year, Session: 2016-2019,
Patna Women's College, Patna University, Patna,
Bihar, India

Navjyoti Shree

BBA III year, Session: 2016-2019,
Patna Women's College, Patna University, Patna,
Bihar, India

Tanu Priya

BBA III year, Session: 2016-2019,
Patna Women's College, Patna University, Patna,
Bihar, India

Norin Raj Lakra

Assistant Professor, Department of BBA,
Patna Women's College, Bailey Road,
Patna – 800 001, Bihar, India
E-mail : nlakra@gmail.com

Introduction:

Auditing is a comprehensive method of objective and systematic verification of current practices prevalent in the organization. Auditing is generally concerned with the examination of the books, accounts, vouchers and other financial records that gives opinion regarding true and fair view of profit or loss which is known as Financial Audit (Partha Chatterjee, 2011). It provides an avenue for translating a company's strategy into measurable targets in monitoring and evaluating how the company is doing. It encompasses strategic planning, budgeting, forecasting, reporting, scenario planning, and decision making as it addresses both financial and management activities of the business entity (Monappa A. and Saiyadain M.S., 2006).

The Auditing done at Pantaloons is much wider than financial audit. It focuses on management audit as it is a method of independent and systematic evaluations of the management activities. The

management audit analyses the reason for inefficiencies of the management for not fulfilling the targets. The study that has been done at Pantaloons is of the internal Audit. It evaluates the overall effectiveness of the organization.

Objectives :

The research was basically performed to find out the efficacy of auditing in enhancing organisational effectiveness with special reference to Pantaloons, Patna, Bihar. This research study aimed on the following objectives:

- To determine whether auditing increases the effectiveness of organization.
- To find whether auditing is really a mean of evaluation of the organization's internal control system and helps in risk management.
- To find whether auditing leads to extra work pressure for the employees of the organization.

Hypotheses :

The hypothesis of the study reflects the basic assumptions or beliefs upon which the entire study is based. The basic assumptions of our survey were as follows:

- Auditing helps the organization to achieve effectiveness in every area of functioning.
- The overall evaluation process of auditing helps the organization have a firm grip on governance process and effectively assess internal risk factors.
- Auditing process sometimes leads to extra work pressures for the employees.

Research Methodology :

The various aspects of the research methodology adopted for the purpose of research are discussed here. The research design is descriptive as it attempts to describe the state of affairs that has been observed after the survey. The collection of data has been carried out by means of a schedule. Information has been gathered from both primary and secondary sources. The primary sources were information gathered from the managers and employees at Pantaloons, Patna (Rajapul). The secondary sources include data from various books and relevant websites.

Judgement sampling, a non-probability sampling method has been applied as the members of population selected for the sample have been chosen by the judgement of the researchers to participate in the study. This decision was deliberately taken in order to select the respondents from whom data could be collected to reflect upon the facts. This method has been preferred in order to obtain a representative sample by using a sound judgement.

Total employees strength of Pantaloons, Patna, was 60. The sample size consisted of total 30 respondents of which 10 were managers and 20 other employees at different ranks.

Data Analysis And Interpretation

1. Auditing improves the organisational performance / departmental performance:

(a) As per managers

(b) As per employees

Interpretation: From graph 1(a) it was observed that out of 10 managers surveyed 100% think that auditing increases the efficiency of both organization and department and from graph 1 (b) it was observed that out of 20 employees surveyed 95% thinks the same, whereas 5% don't think so as they believe that it is a time consuming process.

2. Extent to which audit process helps in reduction of overall cost of the organization:

Interpretation: From graph 2 it was observed that out of 30 respondents, 40% said that audit process notably helps in reduction of costs while 50% said that it reduces costs moderately as it decreases overlapping of work Whereas 10% of them said that effects of audit process is ignoble .They believe that auditing does not eliminate errors/frauds every time.

3. Auditing as a complex process

Interpretation: From graph 3 it was observed that out of 30 respondents, 60% were in favour that audit is a complex process because it involves many steps Whereas 40% did not think so. They believed audit process helps in smooth functioning of the organization.

4. Auditing improves working conditions:

Interpretation: From graph 4 it was observed that out of 30 respondents, 100% said that auditing helps to improve the working condition as it detects the weak spots of the management's different policies.

5. Audit as a challenging process:

Interpretation: From graph 5 it was observed that out of 30 respondents, 75% said that they face new challenges during the audit process like, extra work pressure, While 25% believe that the challenges during the audit makes them more competent.

6. Auditing always give the true report/ picture of performance:

Interpretation: From graph 6 it was observed that out of 30 respondents, 85% think that auditing always gives the accurate report of the performance, while 15% don't think so as sometimes it does not take into consideration the fair and actual report due to false statements.

7. Audit as a process to increase efficiency level:

Interpretation: From graph 7 it was observed that out of 30 respondents, 85% of them agreed that auditing increases the level of efficiency, while 15% were not in favour as they think that audit sometimes turns into a lengthy and time taking process.

8. Auditing improves the overall team performance:

Interpretation: From graph 8 it was observed that out of 30 respondents, 100% of the employees find auditing a useful tool in improving the overall team performance by providing remedies to maximize the organization's resources in an efficient way.

Findings :

- Auditing improves the overall functional performance of the organisation.
- Auditing is an important tool for controlling the internal governance system and a better process for risk management.

- Auditing helps to improve the efficiency of the organisation, aids in team building process and gives a clear picture of the organisation's performance.

Suggestions :

- The employees must be given the true picture of their performance and correct information regarding the audits. False reports leads to escalation of expenses for the organization.
- The organisation should take suggestions or give response to their employees.
- In the organisation, the employees must be trained before the audits so that when they face challenges they would be able to answer the questions asked by the auditors.
- Managers should actively take part or respond positively for the audits, as it will help both the employees and organization to increase its efficiency.

Limitations :

- The study has a limited validity as it is confined to Pantaloons Store Patna only.
- The outcome of the study cannot be generalized over the entire efficacy level of auditing in the organization.

Conclusion :

Due to increasing complexity of the business activities and to judge the performance of organizational activities, the scope of performance audit has increased. There are several advantages of conducting management audit of an organization.

It is found that auditing increases the level of efficacy at Pantaloons, improves the overall performance of the organisation as a whole or function wise and is a very important tool for controlling the internal system and a better process for risk management.

It verifies that whether the organization has utilized physical, human, and financial resources in an efficient way or not. Also, gives valuable suggestions to the management for greater effectiveness.

LIST OF TABLES

Table 1. Auditing improves the organizational performance / departmental performance

(a) As per managers

Option	No. of Respondents	Percentage (%)
Yes	10	100%
No	0	0%
Total	10	100%

(b) As per employees

Option	No. of Respondents	Percentage (%)
Yes	19	95%
No	1	5%
Total	20	100%

Table 2. Extent to which audit process helps in reduction of overall cost of the organization:

Option	No. of Respondents	Percentage (%)
High	12	40%
Moderate	15	50%
Low	03	10%
Total	30	100%

Table 3. Auditing as a complex process

Option	No. of Respondents	Percentage (%)
Yes	18	60%
No	12	40%
Total	30	100%

Table 4. Auditing improves working conditions

Option	No. of Respondents	Percentage (%)
Yes	30	100%
No	0	0%
Total	30	100%

Table 5. Audit as a challenging process

Option	No. of Respondents	Percentage (%)
Yes	23	75%
No	07	25%
Total	30	100%

Table 6. Auditing always give the true report/picture of performance

Option	No. of Respondents	Percentage (%)
Yes	26	85%
No	4	15%
Total	30	100%

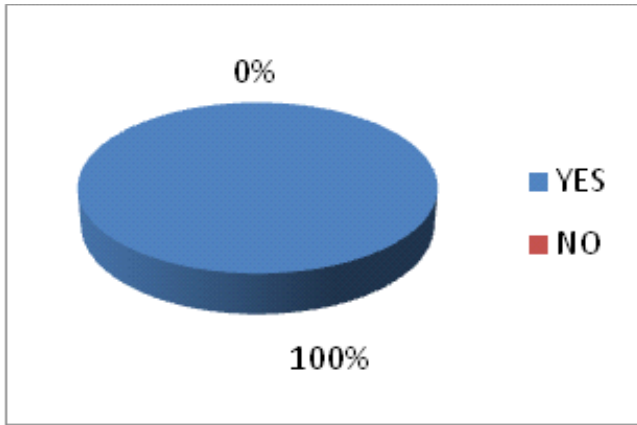
Table 7. Audit as a process to increase efficiency level

Option	No. of Respondents	Percentage (%)
Yes	26	85%
No	04	15%
Total	30	100%

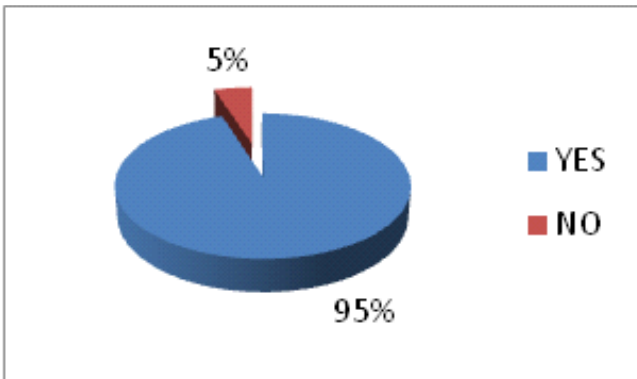
Table 8. Auditing improves the overall team performance

Option	No. of Respondents	Percentage (%)
Yes	30	100%
No	0	0%
Total	30	100%

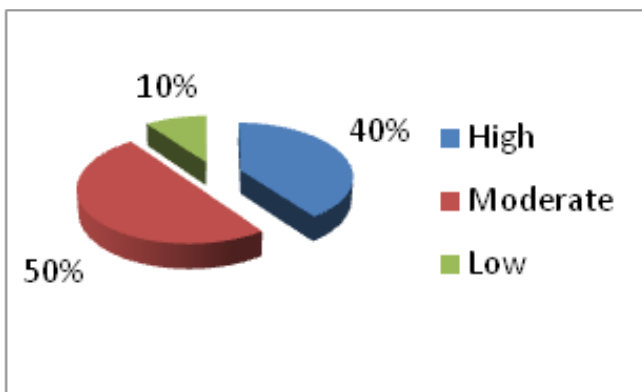
LIST OF GRAPHS



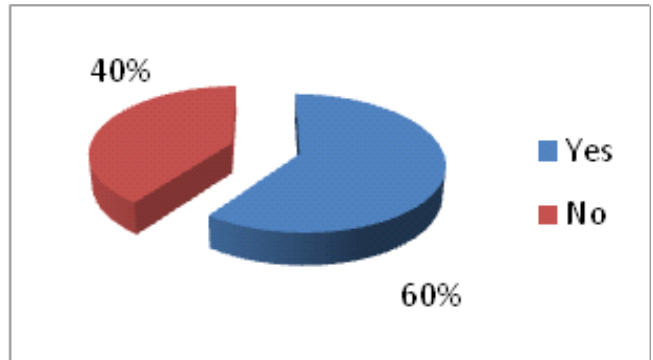
Graph 1(a)



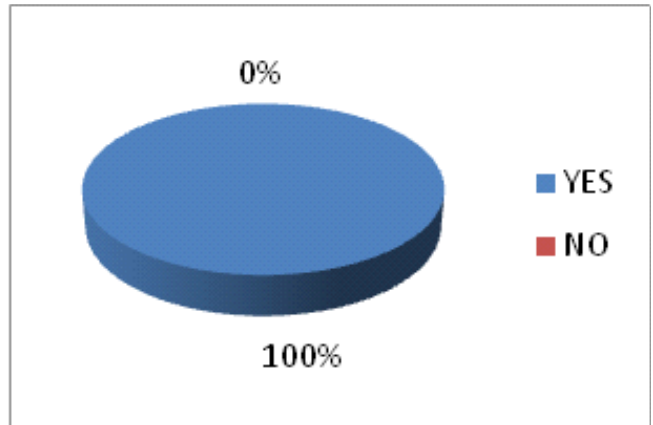
Graph 1(b)



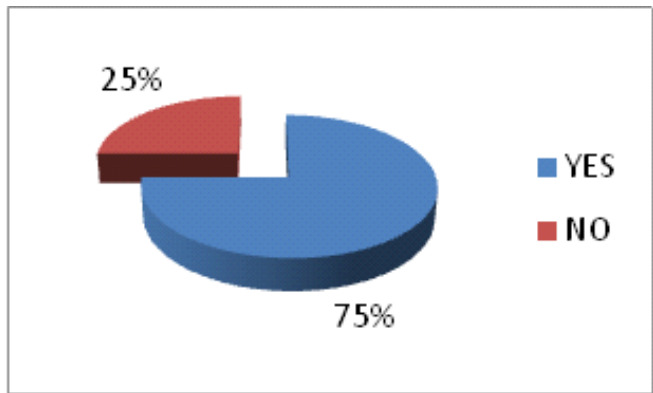
Graph 2



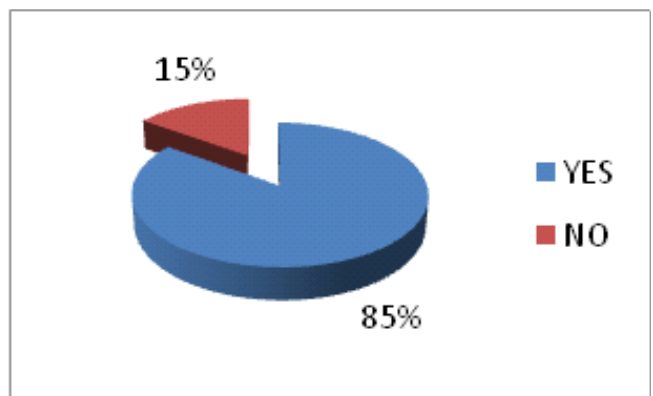
Graph 3



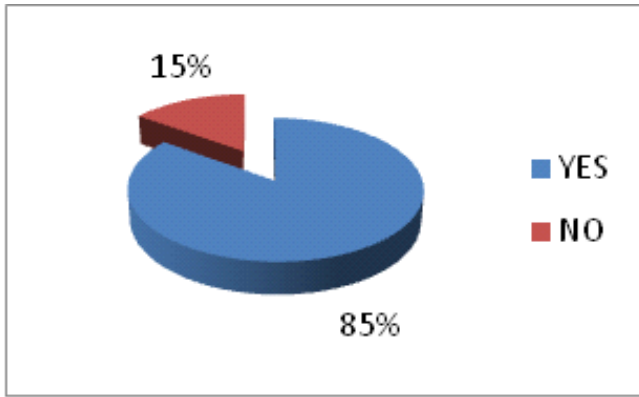
Graph 4



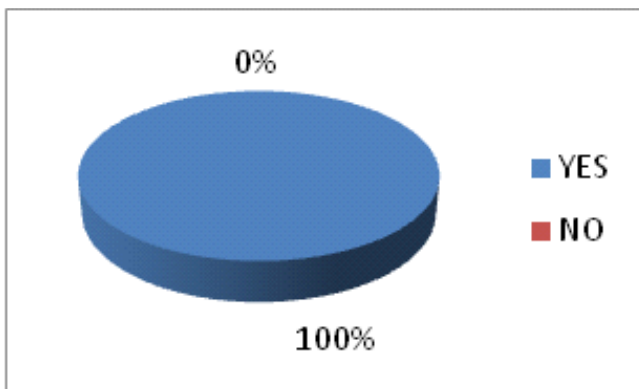
Graph 5



Graph 6



Graph 7



Graph 8

References :

Chatterjee, Partha (2011). "A Text On Auditing", Vrinda Publications Pvt. Ltd., Delhi , pp.260-263.

Monappa A., and Saiyadain M.S. (2006). "Personnel Management", New Delhi, Tata McGraw Hill.

Kothari, C. R. (2012). Research Methodology – Methods & Techniques, Vishwa Prakashan, New Delhi 2nd edition.

Websites

<https://www.moneycontrol.com/annualreport/pantaloons-fashionretail/auditors-report/PFR>. Retrieved 2018, September,9

<https://www.abfirl.com/pantaloons>. Retrieved 2018, September, 12

<https://www.adityabirla.com>. Retrieved 2018, September, 22