

The Role of Auditing in Financial Risk Mitigation Amid Global Economic Disruption

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ABSTRACT

This research aims to explore the role of audit in managing financial risk amidst the complexity of global economic dynamics. By explaining in detail the contribution of audits in helping entities identify, manage and mitigate financial risks. This research uses qualitative research methods, focusing on the role of audit in managing financial risk amidst global economic dynamics. Through interviews with 20 respondents, including auditors and financial practitioners, analysis of financial reports, and literature studies, the research gained in-depth understanding. Interpretive methods are used to analyze the data, providing a theoretical and practical basis in explaining the contribution of audits to financial risk mitigation. The research results confirm that auditors do not only limit themselves to examining financial reports, but are actively involved in helping entities identify and manage financial risks. These findings provide a strong foundation for entities to face global economic uncertainty and ensure the reliability of financial information. Audits are identified as a key element in enterprise risk management. Auditors not only apply audit theory conceptually but also create practical guidelines for achieving successful operational risk management. In addition, the evolution of audit theory along with changes in the global economy shows the practical relevance of audit theory in responding to changing economic dynamics.

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1. Introduction

Increasing complexity and dynamics in the global economy have created an environment full of significant uncertainty and challenges, especially in managing financial risks amidst global economic turmoil. The COVID-19 pandemic that has not subsided, the conflict in Ukraine, and increasing inflation rates[1]–[4]but also exacerbates the complexity of risks faced by companies and financial institutions[5]–[8]

In global economic turmoil, financial risks are increasingly complex, involving internal and external factors[9], [10]. The global financial crisis in 2008 demonstrated the impact of financial institutions on various sectors, including the private sector and government[2], [3], [11]. Credit, market and liquidity risks require adaptive management[4], [11]–[13]. Concrete evidence from the global financial crisis in 2008 emphasizes the important role of audit in responding to and overcoming the impact of financial institutions on the private sector and government. According to Arens et al., (2012), audits help companies identify and manage financial risks. Similar thoughts were also expressed by Barth & Landsman [15], who stated that audits can increase the effectiveness of financial risk management.

Along with the dynamics of global economic turmoil, companies exposed to risk tend to face a significant increase in credit risk. Grippa et al., (2019) suggests that risk complexity can influence financial risk management. The Basel Committee on Banking Supervision [12] emphasized the need for companies and financial institutions to develop comprehensive risk mitigation strategies to face increasingly complex risks. Thus, adaptive audits are becoming increasingly important to maintain a company's resilience to growing financial risk challenges. Financial risks, especially credit risk, market risk and operational risk, are increasingly difficult to manage and predict [6], [16]. Previous empirical research shows that companies exposed to global economic volatility face significant increases in financial risks, emphasizing the urgency of implementing adaptive risk management practices (AA Arens et al., 2012; Barth & Landsman, 2018).

One of the key elements in a financial risk mitigation strategy is the audit function. Audits, both internal and external [17], [18], audit plays an integral role in understanding, assessing and managing rapidly evolving risks in an unstable economic environment [19]–[21]. Through testing the effectiveness of internal controls and evaluating organizational structures, audits help companies identify and manage credit risk, market risk and operational risk [18], [22], [23]. Audits, both internal and external, are identified as a key element in financial risk mitigation strategies. Recent data shows that organizations that implement effective auditing have a higher level of resilience to economic pressures and associated financial risks [24]–[26]. Likewise, recent surveys suggest that regulators and market stakeholders recognize the contribution of external audits in providing confidence and transparency to corporate financial reports amidst economic uncertainty. (Accounting and Corporate Regulatory Authority, 2023). Based on previous research, empirical data shows that aligning audits within an effective risk management framework can significantly enrich the ability to identify and overcome risks, making a positive contribution to the company's overall performance [28]. By holistically integrating the audit function in risk management strategies, companies can benefit from increased resilience to market changes and fluctuating economic situations [29].

In this context, this research aims to explore the role of audit in mitigating financial risks amidst global economic turmoil. Special focus on the contribution of audit in strengthening financial risk mitigation, as well as providing in-depth insight into how audit can be a key pillar in adaptive financial risk management. Thus, this research is not only aimed at better understanding the role of audit in the current context but also to provide practical recommendations to increase the effectiveness and relevance of audit in facing financial risk challenges in the future.

2. Literature Review

Economic Turmoil in the Global Economy.

The global economy, as an economic system involving complex interactions between countries around the world, is influenced by political, social, economic, and environmental factors [1]. This definition is reinforced by Krugman et al., (2023) and Stiglitz (2017) which highlights international trade, capital flows, and technological exchange as key elements of the global economy. The era of globalization marks the inevitable economic interdependence between countries. The global economy creates a network of interrelated economies, where economic changes in one country can have global impacts [30]–[32]. Therefore, global economic analysis pays attention to how events or policies in one country can have a wider impact on the world [30].

In the face of significant economic turmoil, the global economy is faced with serious challenges [1]. Economic turmoil refers to periods of instability that can affect economic growth, inflation, exchange rates, and unemployment rates [30]. Internal factors such as inappropriate economic policies, as well as external factors such as the global financial crisis, natural disasters, war and geopolitical turmoil, can trigger economic turmoil [1]–[4], [31]. The impact of economic turmoil covers various sectors and economic actors, from individuals, businesses, to governments [33]. With an even impact, a deep understanding of the sources of economic turmoil from internal and external factors is crucial in maintaining global economic stability and growth [1].

Financial Risk

In the context of global economic uncertainty, financial risks are becoming an increasingly important research subject. Changing global economic dynamics, including evolving challenges and

opportunities, encourage researchers and practitioners to better understand and measure the financial risks faced by private entities[1], [30], [31], [34]. As the global financial crisis in 2008 showed how the failure of financial institutions, especially in the corporate sector, could trigger a widespread economic crisis.[12]. Private financial risks involve various aspects, such as credit risk, market risk and liquidity risk, and the sources of these risks can be complex and varied[10], [35].

Financial risk is the potential for financial loss to a company and can be classified into three main categories. First, credit risk is the risk that other parties who have obligations to the company will not fulfill their obligations, such as when a debtor fails to pay a loan or a company fails to fulfill its obligations to suppliers.(AA Arens et al., 2012; Coso, 2004). Second, market risk occurs when the value of a company's assets or liabilities changes due to changes in market prices, for example if the value of the company's shares falls or the value of the foreign currency owned by the company decreases.[15], [37]. Third, operational risks originate from company operational activities and include human error, technological failure and natural disasters. This risk can occur, for example, if the company experiences an accounting error, IT system failure, or natural disaster[38], [39]

Financial risk is a phenomenon that can have a significant negative impact on a company, both financially and non-financially[40], [41]. Financial risks can cause significant financial losses, such as default, decline in asset value and increased funding costs[42]. The impact of financial risk can also extend to aspects of company performance, such as a decline in sales, profits and company value[43]–[45]. More broadly, financial risks can harm investor confidence and make it difficult for companies to obtain additional financing, reflected in falling share prices[46]. Therefore, a careful understanding of financial risks is important for companies to identify, manage and mitigate these risks, so as to maintain financial health and company reputation.[47], [48].

Financial Risk Mitigation

Financial risk mitigation is an integral process in financial risk management which aims to reduce potential financial risks or minimize negative impacts that may arise[49], [50]. This process involves two main approaches, namely a proactive and reactive approach. A proactive approach is taken to reduce the possibility of financial risks occurring. It includes steps such as identification and assessment of financial risks, development of financial risk mitigation strategies, and implementation of those strategies. In contrast, a reactive approach is taken to reduce the negative impact of financial risks that have occurred, with actions such as financial risk coverage and disaster prevention and recovery(Kunreuther, 2001; Mazaraki & Kasinova, 2015; Michoud & Hafner, 2021).

The financial risk mitigation process can be described in four steps: financial risk identification, financial risk assessment, development of financial risk mitigation strategies, and implementation of financial risk mitigation strategies. Risk identification involves recognizing internal and external sources of risk, while risk assessment assesses the degree of likelihood and negative impact[48]. Based on the results of the risk assessment, the organization develops mitigation strategies that are appropriate to the type and level of financial risk faced. The final step is the implementation of a financial risk mitigation strategy with the aim of reducing financial risk optimally[52], [53].

Financial risk mitigation methods can be divided into two main categories: technical and non-technical methods. Technical methods involve the use of certain technologies or systems such as financial internal control systems, financial audits, and financial information systems. On the other hand, non-technical methods do not involve special technology and include developing a financial risk culture, increasing financial risk awareness, and financial risk training[52], [54], [55].

Financial risk mitigation is essential in protecting an organization from potential financial losses that could harm operational continuity. In response to global economic turmoil, organizations need to adopt a holistic approach that combines both proactive and reactive elements. Proactive measures include identifying potential risks and developing mitigation strategies before they occur, while reactive approaches focus on responding and adapting as risks materialize.

Several literature studies highlight the importance of financial risk mitigation as an integral part of organizational risk management. According to[49], [56]organizations need to have a solid framework to carefully identify, assess and manage financial risks. This approach not only includes technical aspects such as financial report analysis, but also involves non-technical elements such as reputation management and stakeholder trust.

2.1. Financial Risk Audit.

An audit is a systematic process carried out by an auditor to examine and evaluate an entity's financial information, and provide an opinion on the fairness of the presentation of that information.[57]. Audits have an important role in providing reasonable assurance about the reliability and conformity of financial information with generally accepted accounting standards (SAK).[58]. An audit is an independent examination of the financial statements of a company or organization with the aim of determining whether the financial statements fairly reflect, in all material aspects, the financial position and results of operations of the company or organization.[59].

Audits for companies and government agencies are very important because they have a big influence on operational activities[60]. At the beginning of its development, auditing was intended to find fraud and errors, but over time, its role evolved into examining financial reports[61], [62]. Audits now not only look for the correct presentation of a company's financial reports but also become a key factor in decision making[63]. Financial reports prepared by management, together with bookkeeping records, are the object of examination carried out critically, thoroughly and systematically by an independent party[64]. The purpose of this examination is to provide an opinion regarding the fairness of the financial statements[65]. Therefore, auditing has become an integral process that not only focuses on fraud detection, but also on the validity and reliability of the company's financial reports.

Auditing is not just about examining financial statements, but also involves an in-depth understanding of the business and economic environment in which an entity operates[66]. In line with the view Ghaziandra (2018) that auditing is expanded to include the role of auditing in enterprise risk management, illustrating how auditing can be an important instrument in supporting effective risk management practices[28]. Westland & Christopher (2020) states that an audit includes evidence, prudence in examination, fair presentation, independence and ethical behavior. Evidence, as one of the basic concepts, is obtained through various means such as authoritarianism, mysticism, rationalization, empiricism, and pragmatism.

3. Method

This research will adopt a qualitative approach to explore the role of audit in mitigating financial risks amidst global economic turmoil. This approach will involve in-depth analysis of the audit process, interviews with auditors, and case studies on how the audit function can effectively identify, measure, evaluate, and reduce the financial risks faced by companies in the context of an unstable global economy. Through this qualitative approach, it is hoped that research can provide a deeper understanding of effective audit practices in managing financial risks during periods of global economic turmoil[69].

This research design adopts a multi-company case research method, providing flexibility to analyze variations in audit practices in managing financial risks in various companies operating in a dynamic global economic environment.[70]. Data collection was carried out through two main methods. First, through in-depth interviews with financial managers, accountants and risk practitioners in each company. The focus of the interviews was audit practices in measuring and recording financial risks, the use of accounting frameworks, and the impact of economic turmoil[71], [72]. Second, through document analysis, including financial reports, accounting policies and other related documents, to gain further understanding of audit practices in managing financial risks (Bell et al., 2022).

The research population includes companies from various sectors operating globally, with the sample selected purposively to cover a variety of industries, company sizes, and levels of exposure to economic volatility. A total of 20 respondents, including auditors and financial practitioners, were interviewed to provide a fairly representative view of audit practices in mitigating financial risks. The qualitative data collected will be analyzed using a thematic analysis approach, with the main findings identified, categorized and compiled to provide an in-depth understanding of the role of audit in managing financial risk amidst global economic turmoil (Silverman & Marvasti, 2008). The validity of the interview results will be verified through triangulation with document data, while the consistency of the findings will be an indicator of reliability[70].

4. Results and Discussion

Auditors, in in-depth interviews, share their views on the role of audit. auditors described how during the audit process, the focus was not only on routine examination of financial statements, but also on identifying potential financial risks that could occur due to global economic turmoil. This auditor provides concrete examples in the form of liquidity risk findings that he identifies and helps manage during the audit process. In the results of this research, it was found that the role of audit is not limited to the audit aspect of financial reports alone. Moreover, auditors are proactively involved in helping entities identify and manage financial risks amidst global economic turmoil. Not only providing reasonable assurance, auditors are also a strong pillar that supports entities in facing global economic uncertainty, ensuring that the financial information presented remains credible and reliable.

In addition to confirming compliance with audit standards, the findings of this research reflect the transformation of the auditor's role into a strategic partner who not only validates financial information but is also actively involved in managing and mitigating financial risks. This proactive approach makes auditors an integral element in an entity's efforts to maintain financial stability and respond to unpredictable global economic dynamics. The trust given by the auditor, especially in the form of reasonable assurance, is not only a formal audit requirement, but also a key instrument in providing confidence to stakeholders. This strong foundation provides certainty to entities in facing global economic changes, helping them make decisions with reliable and relevant information. In responding to challenges, auditors face the complexity of managing financial risks in an unstable global economic scenario. However, research findings show that auditors can overcome these challenges with deeper involvement in designing and implementing adaptive and innovative financial risk mitigation strategies. Research findings confirm that auditors have a significant role in mitigating financial risks originating from the global economy and turmoil economy. Through a holistic audit approach, auditors not only help entities face global economic uncertainty but also make a positive contribution in managing and mitigating cross-border financial risks. Thus, the results of this research not only illustrate the evolution of the auditor's role, but also highlight the substantive contribution of auditors in forming financial risk mitigation strategies in an era of global economic uncertainty.

The critical role of audit in enterprise risk management, especially in times of global economic challenges, is also highlighted. Auditors, with a deep understanding of audit theory, play a central role in supporting adaptive risk management practices. In the context of responding to significant events, such as the COVID-19 crisis, the auditor's role is not only limited to understanding the impact on financial statements. Auditors are also actively involved in reevaluating the company's risk mitigation strategies, considering the dynamics that develop in crisis situations. In the COVID-19 Crisis situation, auditors must adapt their approach to identify potential new risks that may arise as economic and business conditions change. Auditors must also be more proactive in providing recommendations and solutions to overcome the challenges faced by companies in managing risk. The importance of integrating audit theory concepts in audit practice is becoming increasingly apparent, because auditors need to not only deeply understand financial risks but also operational, reputational and other risks that can arise during a crisis. Thus, the auditor's response is not only focused on maintaining the reliability of financial reports, but also on its contribution to maintaining the continuity and health of the company as a whole.

Revaluation of risk mitigation strategies does not only include financial aspects, but also actions that can be taken by the company to maintain operational sustainability, protect assets and maintain the company's reputation in the eyes of stakeholders. Auditors, as strategic partners in risk management, have a significant role in aligning this strategy with the company's long-term goals. Thus, the research findings confirm that auditors are not only assessors of the reliability of financial information, but also as key players in supporting companies to face global economic challenges, especially in the context of crises such as the COVID-19 crisis. By integrating audit theory, auditors can provide substantial added value in helping companies manage risk holistically and adaptively.

The findings of this research provide in-depth insight into the crucial role played by auditors when providing reasonable assurance on financial statements. In this context, the research results show that the reasonable assurance provided by the auditor is not only a formal aspect in the audit process, but is also a critical element that forms a strong basis for the entity in facing financial risks

amidst economic uncertainty. Research highlights that when auditors provide reasonable assurance, auditors provide more than just an endorsement of the reliability of financial information. This confidence creates a solid basis for decision making at the executive level and provides confidence to external stakeholders, such as investors, creditors and regulators.

The importance of reasonable assurance in risk mitigation lies not only in the validity of financial statements but also in its contribution to the financial and operational stability of the entity amidst economic uncertainty. The trust provided by the auditor can be considered the first step in a risk mitigation strategy. By having strong confidence regarding financial information, an entity can better understand the risks it faces and develop proactive measures to address global economic uncertainty. Therefore, reasonable assurance is not only a guarantee of the accuracy of financial reports, but also an effective tool in overall financial risk management. The research findings show that when auditors provide reasonable assurance on financial reports, this creates a solid basis for entities to face financial risks amidst economic uncertainty. Interpretation of the results confirms that this confidence is not just a formality, but rather a critical element in risk mitigation. The findings of this research are closely related to financial risk mitigation efforts in the context of global economic uncertainty. The audit process by auditors, especially when providing reasonable assurance on financial statements, is not only a tool to ensure the reliability of financial information, but is also an important component in a general financial risk mitigation strategy. Providing reasonable assurance by the auditor creates a strong basis for the entity in facing financial risks. This trust provides a reliable basis for management to make informed decisions, especially in managing risks arising from global economic turmoil. In the context of financial risk mitigation, auditors act as independent guarantors who validate financial information, thereby helping entities to detail and understand the financial risks they face.

The proactive steps an auditor takes in supporting an entity to identify and manage financial risks effectively can also be considered a direct contribution to risk mitigation efforts. Auditors not only recognize potential risks through the audit process, but also provide valuable recommendations and insights on mitigation strategies that can be adopted by the entity. Thus, the auditor's role is not only as an assessor, but also as a committed partner in efforts to prevent and reduce the impact of financial risks. Additionally, the interpretation of the results highlights that reasonable assurance provided by auditors has a broader impact in helping entities mitigate financial risks. This trust creates the financial and operational stability necessary to face the challenges of an uncertain economy. In this case, financial risk mitigation is not only reactive to risks that have already arisen, but also proactive in preventing potential risks in the future. Overall, the findings of this research illustrate that the role of audit, especially in providing reasonable assurance, is not only an essential element in the validation aspect of financial reports, but also an integral part of financial risk mitigation efforts. Auditors, through the audit process and their contribution to mitigation strategies, become factors that support entities in achieving financial risk mitigation objectives amidst changing global economic dynamics.

The research results present significant findings related to the implementation of audits in operational risk management in the private sector. Auditors in this sector do not only limit themselves to conceptually implementing audits, but also actively create effective practical guidelines for achieving successful operational risk management. These findings highlight that corporate auditors play an integral role in integrating audit concepts into daily practice, thereby creating a strong foundation for adaptive and responsive operational risk management. The evolution of auditing in line with global economic changes is a key theme in this research. The findings emphasize that corporate auditors need to understand and respond to the changing dynamics of the global economy to remain relevant in the context of operational risk management. The guidance resulting from the evolution of auditing provides direction for auditors to adapt their audit approach, ensuring that they not only keep up with trends but also lead the way in implementing best practices in operational risk management.

The results of this research provide a deeper understanding of the crucial role of auditors in the corporate sector, especially in the context of operational risk management. Auditors are not only conventional supervisors but also creators of practical guidelines that contribute directly to the success of operational risk management strategies. Audit evolution is not just a phenomenon of change, but also a driver of change that guides auditors in responding and adapting approaches to ensure the effectiveness of operational risk management in an ever-changing corporate sector.

The findings of this research are closely related to efforts to mitigate financial risks amidst global economic turmoil. Auditors, through contributions, are not only involved in examining financial statements, but also proactively help entities identify and manage financial risks. Financial risk mitigation is a major focus in audit practice, and research findings show that auditors have a crucial role in developing mitigation strategies that are appropriate to global economic turmoil. The importance of reasonable assurance provided by auditors can also be directly linked to financial risk mitigation. This confidence creates a solid basis for entities to face financial risks amidst global economic uncertainty. By having strong confidence in financial information, entities can more effectively plan and implement risk mitigation strategies to protect financial health.

In addition, the role of audit in corporate risk management, as revealed in research findings, is an integral part of risk mitigation efforts. Auditors assist in the development of adaptive risk management practices, especially in facing global economic challenges. Auditors' responses to significant events, which may include crises such as those experienced during the COVID-19 pandemic, involve reevaluating risk mitigation strategies to minimize their negative impacts. Implementation of basic audit concepts, such as evidence, prudence in auditing, independence and ethical behavior, is a key instrument in mitigating financial risk. Auditors use these concepts as practical guidelines for achieving effective risk mitigation amidst global economic turmoil. Thus, the findings of this research provide in-depth insight into the contribution of audits in efforts to mitigate financial risks in an era of global economic turmoil. By implementing appropriate mitigation strategies, entities can be more resilient in facing economic challenges and minimize their potential negative impacts.

Discussion

The research findings highlight the evolving role of audit in managing financial risks amidst global economic turmoil. Auditors are not only involved in examining financial statements, but also proactively help entities identify and manage financial risks. The reasonable assurance provided by auditors provides a strong basis for dealing with global economic uncertainty and ensuring the reliability of financial information. The interpretation of the results confirms that the reasonable assurance provided by the auditor is not just a formality, but rather a critical element in risk mitigation. By having strong confidence, entities can develop more effective risk mitigation strategies, making audits an important tool in financial risk management. Statements about the concept of reasonable belief are explained by Kennedy et al., (1997) states that reasonable assurance provided by auditors is not just a formality, but is an important tool in helping managers and stakeholders make quality risk decisions. In this theory, reasonable belief is viewed as a critical source of information that helps managers understand and assess the financial risks associated with business decisions. Auditors, with their independent evaluations, provide confidence that financial information is presented honestly and accurately, providing a solid basis for risk-related decision making. Therefore, this theory emphasizes the role of auditors as strategic partners in achieving risk management and business sustainability goals [73].

Besides that, Agrawal et al., (2020) highlighting that risk-intelligent auditing can provide more valuable information in managing financial risks. By detailing risks in more detail and intelligence, auditors can provide deeper insight to company managers. Statement by Lam (2014) is also relevant in discussing strengthening collaboration between auditors and business entities. by emphasizing the importance of risk management as an integral part of organizational strategy. Strong collaboration between auditors and business entities can optimize the implementation of effective risk management practices. In the context of auditors' understanding of global economic changes, the basic audit theories as described by Arens et al., (2012), Beasley et al., (2019) as well as Whittington et al., (2010) provides guidance for auditors in understanding global economic changes and adapting responses appropriately. The integration of the statements above forms a strong foundation in understanding the complexity of the role of audit in efforts to mitigate financial risks amidst global economic turmoil. An in-depth discussion of the research findings shows how auditors, through the application of basic audit concepts, make a significant contribution in helping entities identify, assess and manage financial risks [78]. Further analysis reveals that auditors' responses to significant events, such as the 2008 Global Financial Crisis, not only include understanding the impact on financial statements but also involve revaluing risk mitigation strategies [50]. In this context, auditors act as strategic partners who help entities adapt risk mitigation measures according to global

economic conditions. Agrawal et al., (2020) by underscoring the importance of auditors as agents who respond intelligently to changing risks in the business environment.

Other research findings reveal that the evolution of audit theory is in line with global economic changes. Audits not only provide conceptual guidance, but also provide guidance on how auditors should respond and adapt approaches in the face of global economic changes. In the context of operational risk management in the corporate or private sector, auditors not only apply audits conceptually but also create practical guidelines. The interpretation of the results shows that auditors in this sector have a crucial role in achieving successful operational risk management, by integrating audit theory concepts in daily practice. Ahrens & Chapman (2007) suggests the importance of audit theory in shaping audit practice, emphasizing that this theoretical foundation helps guide the auditor's approach in carrying out their functions. By detailing the theoretical aspects of auditing, audit practice can be better conceptualized, enabling auditors to understand and address the challenges and complexities that may be encountered in a changing business environment.[79]. The research findings provide insight into the positive impact of auditors on a company's financial health and reputation. Auditors, through the implementation of audits, assist entities in maintaining their financial health by providing reasonable assurance and supporting risk mitigation practices. The positive impact of auditors can be found in research Roberts & Dowling (2002) that the auditor's success in providing reasonable assurance through audit practices can improve the company's reputation, create investor confidence, and generate "Reputation Capital" which can support the long-term financial health and growth of the company.

Organizations can manage financial risks optimally by integrating proactive and reactive approaches. Auditors, through the application of technical and non-technical methods, can help organizations identify, manage and mitigate financial risks amidst global economic turmoil. Interpretation of the results shows that basic audit concepts, such as evidence, prudence in auditing, fair presentation, independence, and ethical behavior, can be applied effectively in the context of audit's role in mitigating financial risk. Whittington et al., (2010), discusses basic audit principles that are important in providing confidence in financial information. These principles, such as independence, objectivity and integrity, form the basis for auditors to carry out their duties diligently and provide reasonable assurance that is essential in mitigating financial risks amidst global economic turmoil. Through implementing this approach, auditors can help organizations identify potential risks, manage their impact, and mitigate possible consequences. By integrating technical methods, such as financial data analysis, with non-technical aspects, such as a deep understanding of global economic conditions, auditors can make a substantial contribution to managing financial risks amidst global economic uncertainty. Thus, the integration of proactive and reactive approaches not only creates a holistic framework in mitigating financial risks, but also strengthens the role of audit as an important tool in helping organizations face complex challenges in a dynamic global economic environment.

Further research findings indicate that strengthening collaboration between auditors and business entities has a positive impact on financial risk management. Closer collaboration not only facilitates a deeper understanding of financial risks but also enables the formulation of more effective mitigation strategies. The concept of collaboration in the context of risk management was also emphasized by James Lam (2014) which emphasizes the importance of collaboration between departments in overall efforts in risk management. The research recommendations underscore the need to increase auditors' understanding of global economic changes. Regular training and improving skills in analyzing global economic impacts are critical steps in improving auditors' responses to significant events. Arens et al., (2012) provides insight into the role of auditors in understanding the business environment. The auditor's in-depth understanding of this economic aspect can pave the way for the auditor to make a more significant contribution in identifying, managing and mitigating financial risks. Thus, the results of this research illustrate that strengthened collaboration between auditors and business entities, supported by auditors' enhanced understanding of global economic changes, is a critical step in increasing the effectiveness of financial risk mitigation amidst global economic turmoil.

Overall, the findings of this research provide an in-depth understanding of the critical role of audit in managing financial risk in an era of global economic turmoil. Auditors are not only involved in the routine examination of financial statements, but are also proactive in helping entities identify and manage financial risks. The reasonable trust provided by auditors provides a solid basis in

facing global economic uncertainty, while the application of basic audit concepts such as evidence, prudence in auditing, and independence, has a positive impact on the company's financial health and reputation. This research also shows that audits play an increasingly critical role in corporate risk management, especially in facing global economic challenges. Auditors not only apply audit theory conceptually but also create practical guidelines for achieving successful operational risk management. The evolution of audit theory along with changes in the global economy reflects that audit theory is not only a conceptual guide but also provides guidance on how auditors should respond and adapt existing approaches. Research recommendations include strengthening collaboration between auditors and business entities, increasing auditors' understanding of global economic changes, and integrating proactive and reactive approaches in managing financial risks. Overall, these findings provide valuable insights for practitioners, academics and relevant stakeholders in facing financial risk challenges in an era of ever-changing global economic dynamics.

5. Conclusion

This research not only provides an in-depth understanding of the role of audit in mitigating financial risks amidst global economic dynamics, but also reveals critical aspects that strengthen the auditor's contribution in forming adaptive mitigation strategies. By exploring the complex interactions between political, social, economic, and environmental factors in the global economy, this research illustrates how auditors are not only involved in examining financial statements, but also proactively helping entities identify and manage financial risks. These findings provide a holistic view of the concept of reasonable assurance provided by auditors as a strong foundation in dealing with global economic uncertainty and ensuring the reliability of financial information. By highlighting that the auditor's role is not limited to examining financial statements, but also involves an active contribution in helping entities manage financial risks, this research makes a significant contribution to a more holistic understanding of audit practice. Reasonable trust given by auditors is not just a formality, but is a solid foundation for facing global economic uncertainty and ensuring the reliability of financial information. These findings, in line with the evolution of audit theory, detail the essential role of auditors in supporting financial sustainability and risk mitigation for business entities. This conclusion encourages increased audit practices that are more adaptive and proactive in facing financial risk challenges in an era of global economic turmoil.

Audits have received the spotlight as a key element in corporate risk management, especially amidst global economic challenges. The findings show that auditors not only apply audit theory conceptually but also create practical guidance to achieve successful operational risk management. The evolution of audit theory along with changes in the global economy becomes the focal point, confirming that audit theory is not only conceptual, but also has practical relevance in responding to changing economic dynamics. This contributes to further understanding of the critical role of audit in facing corporate risk challenges amidst global economic uncertainty, by combining theoretical and practical aspects to achieve adaptive risk management.

The research recommendations, including strengthening collaboration between auditors and business entities, increasing auditors' understanding of global economic changes, and integrating proactive and reactive approaches in mitigating financial risks, provide practical guidance for strengthening the role of audit in the future. This recommendation underscores the importance of synergy between auditors and business entities in dealing with financial risks amidst rapid global economic changes. In addition, increasing auditors' understanding of global economic dynamics is the key to responding more adaptively to environmental changes.

Overall, the results of this research provide in-depth insight, providing guidance for practitioners, academics and relevant stakeholders in overcoming financial risks amidst global economic turmoil. This research is not only a contribution to the academic literature, but also provides valuable practical insights for decision making at the organizational level. The practical implications of these findings include concrete steps to strengthen financial risk management, increase cooperation between auditors and business entities, and increase auditor capabilities in responding to global economic changes. Therefore, this research provides a significant contribution to the development of audit theory and practice in facing challenges in an era of global economic turmoil.

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