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Exploring a Relationship Between Quality Control Procedure and Select Input Factors for Statutory Financial Audit

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Abstract
The study identifies 12 critical issues based on Standards on Auditing issued by the Institute of Chartered Accountants of India relating to using the work of internal auditors, auditors' expert and external confirmations and that may influence quality control procedure for statutory financial audit. Opinions of 227 CAs and 146 Students pursuing Chartered Accountancy course on these variables have been gathered and empirically analysed with the help of Chi-Square test of homogeneity, Mann-Whitney test, Pearson's Correlation Coefficient (r) and t test and suitable conclusions are drawn.
Keywords: Internal Auditor, External Confirmations, Auditors' Expert, Chi-Square, Mann-Whitney, Pearson's Correlation Coefficient, t test.

1. Background of Research

The Indian Companies Act, 2013 came into force on August 31, 2013 to deal with rising investors' concern with respect to integrity of company's financial reporting practices in the backdrop of recent corporate failures, such as Satyam where there was an involvement of premier accounting firm, PricewaterhouseCoopers (PwC) to some extent (Fernando, 2010). This new Act after its enactment effectively introduced certain measures to improve statutory auditors' independence and financial reporting practices in a company. Introduction of rotation auditor, prohibiting auditor from providing non-audit services, etc. are some of these moves. Moreover, the Companies Act, 2013 also recognised the need for internal control and internal auditing mechanisms as an aid to statutory audit practices. Accordingly, as per Section 138(1) of Companies Act, 2013, a select class of companies are required to appoint a Chartered Accountant or Cost Accountant as internal auditor in the company. By means of this regulation, the Government of India actually tried to ensure the competence and independence of internal auditors which is also a requirement of Standard on Auditing (SA)-610 titled *'Using the Work of Internal Auditor'* issued by the Institute of Chartered Accountants of India. Apart from internal auditors' role, Audit Committee also plays significant role in strengthening internal control environment. Members of Audit Committee are also required to maintain their independence in accordance with Section 177 (1) of the Companies Act, 2013. Moreover, Regulation 18 of Securities and Exchange Board of India (SEBI) (Listing Obligation and Disclosure Requirement) Regulation, 2015 also enforces competence and independence of Audit Committee for improving overall internal control environment. Truly speaking, internal audit is not the only aspects that influence statutory audit process in a company, while there are other issues as well. Among them external third parties and auditors' expert are significant. External third parties, such as banks, debtors and creditors of the client company give confirmation to the auditors on financial information reported by the company (McConnell & Schweiger, 2008), while auditors' expert helps an auditor in areas where they do not have the necessary expertise (Boritz, et. al, 2014). SA-505 titled *'External Confirmations'* and SA-620 titled *'Using the work of Auditors' Expert'* guides an auditors' role with respect to external confirmations and auditors' expert respectively. However, the current paper is an attempt to empirically analyse the opinions of professional accountants and students pursuing professional courses on certain critical issues of these standards and their impact on quality control procedure for statutory financial audit.

2. Review of Literature

Over years, there has been a phenomenal growth in empirical studies in the field of auditing, especially on relationship of internal auditing, external confirmations and auditors' expert with statutory audit procedure. A few of them are discussed here. Spira & Page (2003) in their paper demonstrated that developments in corporate governance reporting requirements propose opportunities for the appropriation of risk. Zhang, et. al. (2006) investigated into the relationship between quality of Audit Committee, Auditor Independence and disclosure of internal control weaknesses after the enactment of Sarbanes Oxley Act, 2002. A conditional logit model was developed. The result indicated presence of a relationship among these three interrelated issues. Ettredge, et. al. (2006) in their study analysed the impact of internal control quality on audit delay in the backdrop of Sarbanes-

Oxley Act, 2002. It was observed that material weaknesses in internal control in financial reporting were associated with longer audit delays. McConnell & Schweiger (2008) highlighted ways to use audit confirmations more effectively and to improve confirmation response rates. Boritz, et. al. (2014) had made an interview-based study of 40 practitioners from Big 4 audit firms and 22 auditors' expert. They examined auditors' and experts' views about the current state of expert use, sources of disagreement, auditors' conceit in their aptitude to perform experts' work, firm policies, and future expectations about use of experts' services.

Most of the studies reviewed in this segment are empirical in nature. Majority of the studies were on internal control mechanism of the Client Company and role of internal auditors, while a few studies also dealt with current confirmation procedures and use of auditors' expert. However, a very few number of studies are based on opinions of practitioners or other groups of respondents. None of the studies reviewed so far have considered internal control, external confirmations and auditors' expert issues together. Opinions of students pursuing professional courses have largely been ignored in the previous studies. Literature so far also skipped the impact of the aforesaid issues on quality control procedures for statutory financial audit. In order to mitigate this gap in existing literature, the study is made with following objectives.

3. Objectives

Based on gap identified in the previous segment, major objectives of the study are as follows:

(i) To examine homogeneity of opinions of CAs and Students on the select variables (Refer to Section 5.1);

(ii) To empirically analyse the significant difference of opinions between CAs and Students (Refer to Section 5.2); and

(iii) To examine analytically the relationship between each independent variable and 'satisfactory quality control of statutory audit' (Refer to Section 5.3).

4. Data and Methodology

An exploratory research design has been made to pursue this empirical study which is based on secondary as well as primary data. Secondary data for the current study is collected from several books, legal case decisions, legislations, journal articles, and website materials available in a few reputed libraries in Kolkata. At an outset, these secondary materials have been studied to develop a conceptual idea on audit and different issues directly or indirectly influencing audit procedures with special emphasis on audit evidences collected from the work of internal auditor, external confirmations and work of auditors' expert. Relevant SAs have been referred in this respect. They are SA-610 titled, 'Using the Work of Internal Auditor', SA-505 titled, 'External Confirmations' and SA-620 titled, 'Using the Work of Auditors' Expert'. Twelve critical issues from each of those standards have been identified as input factors for statutory financial audit and ratifications on importance of those issues have been taken from practising CAs. All those input factors may have some influence on quality control procedure for statutory financial audit. Accordingly the dependent and independent variables for the study are selected as follows:

Dependent Variable (DV)

V_1: Satisfactory Quality Control for Statutory Audit

Quality of audit depends upon compliance with applicable standards and issue of appropriate reports. Quality control procedures mainly implemented by an accounting firm ensure quality of audit. (Saha & Roy, 2015).

Independent Variables

V_2 Mandatory checking of internal control system by statutory auditors

Internal control system of a client company is highly associated with nature and scope of audit procedure (Krishnan, 2005). Hence, statutory auditors should mandatorily check the internal control mechanism present in the company.

V_3 Statutory auditors' dependence on internal auditor

Internal auditors being the employee of the company actually helps an auditor in review process. Their report on internal control mechanism of the company helps them to formulate audit plans.

V_4 Excessive reliance placed on internal auditors' work

In an audit engagement, a statutory auditor can use a portion of internal auditors' work for collecting sufficient and appropriate evidences. But, ultimate responsibility lies with statutory auditors. Sometimes, statutory auditors may try to avoid this responsibility which may lead to disastrous consequences (Bame-Aldred, et. al, 2013).

V_5 Testing competence and integrity of internal auditor

Before using the work of an internal auditor, the statutory auditor must satisfy themselves of the competence and independence of internal auditor (ICAI, SA-610). Because reports prepared by a less competent and independent auditor might is a fuzzy report and cannot be used by the statutory auditors.

V_6 Strengthening Audit Committee

Audit Committee play a significant role in maintaining internal control mechanism in the company (Raghunathan, et. al., 2001). Hence, the committee should be made stronger in terms of their financial expertise

and independence from management.

V_7 Thorough checking of internal auditors' report on risk of material misstatement

One of the major responsibilities of a statutory auditor is to identify and assess the risk of material misstatement (ICAI, SA-315). Internal auditors review a company for the entire accounting period and identify the risk of material misstatement. Within the given time frame, it may not be possible for the statutory auditors to identify such risk. Hence, they go for internal auditors' report.

V_8 Lack of enforceability of standards governing internal audit operations

The Institute of Chartered Accountants of India (ICAI) issues 18 Standards on Internal Audit (SIAs) to monitor internal audit practices in an Indian company. However, they are not mandatory in Indian companies so far. Naturally, internal auditors do not feel an urge to comply with these standards. They cannot be brought under the regulatory scanner.

V_9 Scientific designing of confirmation requests

Statutory auditor as a part of their audit process needs confirmations from a few external parties who have business relationship with the client company, such as banks, debtors, creditors, lenders, etc. Their job is to testify the facts and figures incorporated in the company's books (ICAI, SA-505). Therefore, the confirmation requests is required to be designed scientifically so that the auditor get sufficient appropriate evidences on truth and fairness of financial statements.

V_{10} Applying alternative method of getting confirmation if the parties are in legal dispute

Sometimes, it may so happen that the client company and the external third party are in legal dispute. In those circumstances, the external third party may not respond appropriately to the confirmation request. Hence, the auditors should adopt alternative procedures to gather sufficient and appropriate evidences.

V_{11} Necessity of confirmation for accounts receivable and accounts payable balance only

Usually, the auditors need confirmation on debtors and creditors balance mentioned in the financial book. Empirical studies have shown that had the auditors been more sceptical about material accuracy and appropriateness of these issues, several cases of corporate frauds could be avoided (Janvrin, et. al., 2010).

V_{12} Statutory auditors' responsibility even if he is relying on the work of auditor's expert

There are certain areas in an audit engagement where statutory auditors do not have adequate expertise, such as valuation of assets, auditing accounting estimates, etc. While auditing these issues, in order to gather sufficient and appropriate evidences, the accounting firm often engages an auditors' expert as a part of the engagement team. Their report on aforesaid issues is used by the auditors to form their conclusion on the financial statements. However, the ultimately responsibility of auditing lies with the statutory auditor (ICAI, SA-620).

V_{13} Evaluation of competence and independence of auditor's expert

Report issued by an auditors' expert is reliable only when the auditors' expert is competent and independent enough to perform their role (Krishnan & Visvanathan, 2007). Hence, before accepting the reports of auditors' expert as reliable evidence, the auditor should duly evaluate the competence and independence of auditors' expert.

After selection of variables, both dependent and independent variables are converted into close ended statements incorporated in a structured questionnaire on a 5 point scale where individual points represent respondents' different degrees of agreement to the statement [Strong Agreement (SA): 5; Agreement (A): 4; Neutral Approach (N): 3; Disagreement (D): 2; and Strong Disagreement (SD): 1].

Only practising CAs and Students pursuing Chartered Accountancy course are competent enough to give their response to the select statements. Hence, based on non-probability convenience sampling technique, an initial sample of 250 CAs and 200 Students in Kolkata were selected. The survey has been made during the period of July, 2015 to December, 2015 and complete responses of 227 CAs and 146 Students are gathered. These 373 respondents are the final sample of the study. The data relating to their opinions on the select statements have been incorporated in SPSS 20.0 and statistical tests have been made to meet the empirical objectives as follows:

(i) To examine homogeneity of opinions of CAs and Students on the select variables, Chi-Square Test of Homogeneity has been conducted;

(ii) To empirically analyse the significant difference of opinions between CAs and Students, Mann-Whitney Test has been performed; and

(iii) To examine analytically the relationship between each input factor for statutory financial audit as independent variable and 'satisfactory quality control of statutory audit', Pearson's Correlation Coefficient has been calculated and significance of such association is analysed using t test.

5. Analysis and Discussion

5.1 Examining homogeneity of opinions between CAs and Students using Chi–Square Test of Homogeneity

It is imperative to recognise as to whether the population of CAs and Students are homogenous in their responses

for the select variables. It is tested using Chi–Square test of homogeneity (Malhotra & Dash, 2011). The variables must be categorical in nature for conducting this test (Kothari, 2010). Hypothesis for the current test is cited below:

- Null Hypothesis (H_0): Opinions of CAs and Students are homogenous for a particular variable
- Alternate Hypothesis (H_1): Opinions of CAs and Students are not homogenous

The sampling distribution follows Chi-Square Distribution. Test statistics is calculated as follows:

$$\chi^2 = \Sigma\ [(F_O - F_E)^2 \div F_E\ ]$$

Where,

- F_O = Observed frequency of respondents in different levels of the categorical variable;
- F_E = Expected frequency of respondents in the different levels of the categorical variable.

$F_E = N_r \times N_c / T$

Where,

- N_r = Total number of observations from population r for a particular variable;
- N_c = Total number of observations from treatment level c for a particular variable;
- T = Total sample size

Degree of Freedom (DF) = (r–1) × (c–1)

Where,

- r = Number of populations = 2; and
- c = Number of treatment levels = 5.

Hence, in the current study with 2 populations (CAs and Students) and 5 treatment levels (SA, A, N, D, & SD), DF = (2–1) × (5–1) = 4

At 4 DF and 5% level of significance is probability of test statistic is Chi-square distribution table is less than 0.05, H_0 is not accepted and vice versa. Now, the results of Chi-square test for the select variables are projected in the following table:

Table 1: Results of Chi-square Test of Homogeneity

Variable Code	Variables	Chi–Square	P–Value	Decision Rule	Decision on H_0
V_1	Satisfactory Quality Control of Statutory Audit	54.397	0.000	P–Value<0.05	Rejected
V_2	Mandatory checking of internal control system by statutory auditors	37.421	0.000	P–Value<0.05	Rejected
V_3	Statutory auditors' dependence on internal auditor	29.584	0.000	P–Value<0.05	Rejected
V_4	Excessive reliance placed on internal auditors' work	45.415	0.000	P–Value<0.05	Rejected
V_5	Testing competence and integrity of internal auditor	43.319	0.000	P–Value<0.05	Rejected
V_6	Strengthening Audit Committee	13.567	0.004	P–Value<0.05	Rejected
V_7	Thorough checking of internal auditors' report on risk of material misstatement	21.859	0.000	P–Value<0.05	Rejected
V_8	Lack of enforceability of standards governing internal audit operations	33.899	0.000	P–Value<0.05	Rejected
V_9	Scientific designing of confirmation requests	55.064	0.000	P–Value<0.05	Rejected
V_{10}	Applying alternative method of getting confirmation if the parties are in legal dispute	18.377	0.001	P–Value<0.05	Rejected
V_{11}	Necessity of confirmation for accounts receivable and accounts payable balance only	46.098	0.000	P–Value<0.05	Rejected
V_{12}	Statutory auditors' responsibility even if he is relying on the work of auditor's expert	42.250	0.000	P–Value<0.05	Rejected
V_{13}	Evaluation of competence and independence of auditor's expert	53.422	0.000	P–Value<0.05	Rejected

(Source: Compilation of Field Survey Data using SPSS 20.0)

H_0 is not accepted for any of the variables. Hence, CAs and Students are not homogenous in their opinions. The probable reason being the professional experience that the CAs have but Students do not. Naturally, the issues, such as internal audit, external confirmations and auditors' expert have been viewed by Students from theoretical point of view, while CAs observe these issues with a more practical approach.

5.2 Analysing the significant difference of opinions between CAs and Students using Non–Parametric Mann–Whitney Test

In this segment, the main objective is to find out the significant difference of opinion between the population of CAs and Students. It is conducted using non-parametric Mann–Whitney Test. A few assumptions should be met before conducting this test as follows (Fray & Proschan, 2010):

(a) Assumption 1: The dependent variable should be measured at ordinal level

Variables selected for this current study are measured in 5 point scale. It is an ordinal scale. Hence, the first assumption is met for the current study.

(b) Assumption 2: Independent variable should consist of two categorical independent groups

In this study, independent variable is the population groups. One is CA and another is Student. Hence, they are categorical in nature. So, the second assumption for the study is also fulfilled.

(c) Assumption 3: Observations in one group must be independent from observations from another group

CAs are independent in their observations from Students pursuing Chartered Accountancy Course. Hence, the third assumption is also fulfilled.

(d) Assumption 4: The distributions for the groups should not be normal distribution

Normality of a distribution can be examined with the help of following hypothesis:

- H_0: Distribution is normal
- H_1: Distribution is not normal

To test the above hypothesis, Kolmogorov Smirnov (K-S) Test is conducted. At 5% level of significance and n df, results of K-S Test is shown below:

Table 2: Results of K-S Test

Variable Code	Variables	Category	K-S Statistic	DF	P-Value	Decision Rule	Decision
V_1	Satisfactory Quality Control of Statutory Audit	CAs	0.280	226	0.000	H_0<0.05	Rejected
		Students	0.241	146	0.000	H_0<0.05	Rejected
V_2	Mandatory checking of internal control system by statutory auditors	CAs	0.455	226	0.000	H_0<0.05	Rejected
		Students	0.260	146	0.000	H_0<0.05	Rejected
V_3	Statutory auditors' dependence on internal auditor	CAs	0.393	226	0.000	H_0<0.05	Rejected
		Students	0.267	146	0.000	H_0<0.05	Rejected
V_4	Excessive reliance placed on internal auditors' work	CAs	0.393	226	0.000	H_0<0.05	Rejected
		Students	0.313	146	0.000	H_0<0.05	Rejected
V_5	Testing competence and integrity of internal auditor	CAs	0.317	226	0.000	H_0<0.05	Rejected
		Students	0.323	146	0.000	H_0<0.05	Rejected
V_6	Strengthening Audit Committee	CAs	0.378	226	0.000	H_0<0.05	Rejected
		Students	0.303	146	0.000	H_0<0.05	Rejected
V_7	Thorough checking of internal auditors' report on risk of material misstatement	CAs	0.356	226	0.000	H_0<0.05	Rejected
		Students	0.308	146	0.000	H_0<0.05	Rejected
V_8	Lack of enforceability of standards governing internal audit operations	CAs	0.282	226	0.000	H_0<0.05	Rejected
		Students	0.235	146	0.000	H_0<0.05	Rejected
V_9	Scientific designing of confirmation requests	CAs	0.454	226	0.000	H_0<0.05	Rejected
		Students	0.281	146	0.000	H_0<0.05	Rejected
V_{10}	Applying alternative method of getting confirmation if the parties are in legal dispute	CAs	0.438	226	0.000	H_0<0.05	Rejected
		Students	0.342	146	0.000	H_0<0.05	Rejected
V_{11}	Necessity of confirmation for accounts receivable and accounts payable balance only	CAs	0.433	226	0.000	H_0<0.05	Rejected
		Students	0.302	146	0.000	H_0<0.05	Rejected
V_{12}	Statutory auditors' responsibility even if he is relying on the work of auditor's expert	CAs	0.456	226	0.000	H_0<0.05	Rejected
		Students	0.352	146	0.000	H_0<0.05	Rejected
V_{13}	Evaluation of competence and independence of auditor's expert	CAs	0.433	226	0.000	H_0<0.05	Rejected
		Students	0.308	146	0.000	H_0<0.05	Rejected

(Source: Compilation of Field Survey Data using SPSS 20.0)

It is observed that H_0 is not accepted for any of the groups for any of the variables. Hence, for all the variables, respondents follow non-normal distribution. It satisfied the last assumption of K-S Test.
Subject to fulfilment of all the assumptions, M-W Test can be conducted to test the following hypothesis:

- H_0: There is no significant difference of opinions between CAs and Students;
- H_1: Significant difference of opinions exists between CAs and Students.

The test involves assigning ranks to each individual observation. Summation of ranks from each sample gives us the test statistic known as U.
U = Smaller value of

- $U_1 = n_1n_2 + [n_1 (n_1+1)] \div 2 - R_1$

Or,

- $U_2 = n_1n_2 + [n_2 (n_2+1)] \div 2 - R_2$

Where,

- n_1 = sample size in Group-1;
- n_2 = sample size of Group-2;
- R_1 = sum of ranks in Group-1;
- R_2 = sum of ranks in Group-2.

For large samples, U follows normal distribution. Hence, standardised value of the test statistics is computed as follows:
Standardised Test Statistic (Z) = $(U-m_u) \div \sigma_u$
Where,

- $m_u = n_1n_2 \div 2$; and
- $\sigma_u = \sqrt{[n_1n_2 (n_1 + n_2 + 1) \div 12]}$

Degree of Freedom (DF) = K-1
Where, K = Number of groups = 2
At 5% level of significance and 2 DF, if the probability of Z in the normal distribution table is less than 0.05, H_0 is not accepted and vice versa (Zar, 1998). Based on this condition, the results of M-W Test for all the variables under consideration are:
Table 3: Results of M-W Test

Variable Code	Variables	U	Z	P–Value	Decision Rule	Decision on H_0
V_1	Satisfactory Quality Control of Statutory Audit	11880	–4.81518	0.000001	P–Value<0.05	Rejected
V_2	Mandatory checking of internal control system by statutory auditors	13635.5	–3.50722	0.000453	P–Value<0.05	Rejected
V_3	Statutory auditors' dependence on internal auditor	12581	–4.34007	0.000014	P–Value<0.05	Rejected
V_4	Excessive reliance placed on internal auditors' work	14881	–1.91612	0.055349	P–Value>0.05	Accepted
V_5	Testing competence and integrity of internal auditor	10756.5	–6.21976	0.000000	P–Value<0.05	Rejected
V_6	Strengthening Audit Committee	14271.5	–2.77936	0.005447	P–Value<0.05	Rejected
V_7	Thorough checking of internal auditors' report on risk of material misstatement	14852.5	–1.95925	0.050083	P–Value>0.05	Accepted
V_8	Lack of enforceability of standards governing internal audit operations	13939.5	–2.73447	0.006248	P–Value<0.05	Rejected
V_9	Scientific designing of confirmation requests	12697	–4.9249	0.000001	P–Value<0.05	Rejected
V_{10}	Applying alternative method of getting confirmation if the parties are in legal dispute	14031	–3.21926	0.001285	P–Value<0.05	Rejected
V_{11}	Necessity of confirmation for accounts receivable and accounts payable balance only	16462	–0.12217	0.902765	P–Value>0.05	Accepted
V_{12}	Statutory auditors' responsibility even if he is relying on the work of auditor's expert	14626	–2.33917	0.019326	P–Value<0.05	Rejected
V_{13}	Evaluation of competence and independence of auditor's expert	11980.5	–5.28394	0.000000	P–Value<0.05	Rejected

(Source: Compilation of Field Survey Data using SPSS 20.0)

In the above table, H_0 is not accepted for 'Satisfactory Quality Control of Statutory Audit' (V_1). Hence, CAs and Students have difference of opinions for quality control procedures for statutory financial audit. Among the independent variables, H_0 is accepted for 'Excessive reliance placed on internal auditors' work' (V_4) and 'Thorough checking of internal auditors' report on risk of material misstatement' (V_7), 'Necessity of confirmation for accounts receivable and accounts payable balance only' (V_{11}). For these variables, CAs and Students are not significantly different.

5.3 Examining analytically the relationship between each input factor for statutory financial audit as independent variable and 'satisfactory quality control of statutory audit' using Pearson's Correlation Coefficient and t test

Relationship between 'Satisfactory Quality Control of Statutory Audit' (V_1) and rest of the issues as input factors for statutory financial audit is analysed with the help of Pearson Correlation Coefficient (r). The value of r ranges between –1 to +1. If the calculated value of r is more than 0.5, it indicates very strong positive correlations for this current sample. However, this may not hold true for the entire population. Statistical significance of 'r' for the entire population is tested based on following hypothesis:

- H_0: Two variables do not have any significant association between themselves;
- H_1: Two variables have significant association between themselves

The above hypothesis is tested using t test where test statistic is calculated as:

$t = r \div \sqrt{[(1-r^2) \times (n-2)]}$

Where, n is sample size = 373

DF = n-1 where n = sample size = 373.

At 5% level of significance and 372 DF, if probability of test statistic in t distribution table is less than 0.05, H_0 is not accepted and vice versa. The 'r' values between each independent variable and dependent variable and their corresponding results of t test are summarised here:

Table 4: Values of r and Results of t test

Variable Code	Variables	r	P–Value	Decision Rule	Decision on H_0
V_2	Mandatory checking of internal control system by statutory auditors	0.048855306	0.346732	P–Value>0.05	Accepted
V_3	Statutory auditors' dependence on internal auditor	0.150289266	0.003622	P–Value<0.05	Rejected
V_4	Excessive reliance placed on internal auditors' work	0.044581223	0.390592	P–Value>0.05	Accepted
V_5	Testing competence and integrity of internal auditor	0.030032389	0.563125	P–Value>0.05	Accepted
V_6	Strengthening Audit Committee	–0.043355995	0.403760	P–Value>0.05	Accepted
V_7	Thorough checking of internal auditors' report on risk of material misstatement	–0.004199599	0.935572	P–Value>0.05	Accepted
V_8	Lack of enforceability of standards governing internal audit operations	–0.158955155	0.002075	P–Value<0.05	Rejected
V_9	Scientific designing of confirmation requests	0.002603454	0.960033	P–Value>0.05	Accepted
V_{10}	Applying alternative method of getting confirmation if the parties are in legal dispute	0.05639892	0.277279	P–Value>0.05	Accepted
V_{11}	Necessity of confirmation for accounts receivable and accounts payable balance only	0.180056842	0.000475	P–Value<0.05	Rejected
V_{12}	Statutory auditors' responsibility even if he is relying on the work of auditor's expert	0.057677165	0.266518	P–Value>0.05	Accepted
V_{13}	Evaluation of competence and independence of auditor's expert	–0.028294543	0.585937	P–Value>0.05	Accepted

(Source: Compilation of Field Survey Data using SPSS 20.0)

Table 4 depicts that the value of 'r' signifies the direction and degree of association between independent and dependent variables. From the signs of 'r', the nature of association between each independent

variables and dependent variables is analysed. It is observed that a few variables like 'Mandatory checking of internal control system by statutory auditors' (V_2), 'Statutory auditors' dependence on internal auditor' (V_3), 'Excessive reliance placed on internal auditors' work' (V_4), 'Testing competence and integrity of internal auditor' (V_5), 'Scientific designing of confirmation requests' (V_9), 'Applying alternative method of getting confirmation if the parties are in legal dispute' (V_{10}), 'Necessity of confirmation for accounts receivable and accounts payable balance only' (V_{11}), 'Statutory auditors' responsibility even if he is relying on the work of auditor's expert' (V_{12}) are positively associated with 'Satisfactory Quality Control of Statutory Audit' (V_1). On the other side, 'Strengthening Audit Committee' (V_6), 'Thorough checking of internal auditors' report on risk of material misstatement' (V_7), 'Lack of enforceability of standards governing internal audit operations' (V_8), 'Evaluation of competence and independence of auditor's expert' (V_{13}) are negatively associated with the dependent variable.

However, the magnitude of 'r' between each independent variable and dependent variable, 'Satisfactory Quality Control of Statutory Audit' are quite negligible. Moreover, none of the values are high enough (more than 0.5) to indicate a strong positive or negative correlations between independent and dependent variables. With a view to identifying independent variables with significant influence using t test, a few independent variables have been identified whose association with the dependent variable is statistically significant. They are 'Statutory auditors' dependence on internal auditor' (V_3) and 'Lack of enforceability of standards governing internal audit operations' (V_8) and 'Necessity of confirmation for accounts receivable and accounts payable balance only' (V_{11}). Hence, based on the current sample, it can be said that these three variables significantly influence 'Satisfactory Quality Control of Statutory Audit' (V_1). However, the nature of relationship between these three variables and the dependent variable is not same. While V_3 and V_{11} have significant positive association, V_8 has significant negative association with the dependent variable.

It can be finally inferred that issues (independent variables) concerning 'internal auditor', 'external confirmations' and 'auditors' expert' are not highly associated with quality control procedure for statutory financial audit. However, 'statutory auditors' dependence on internal auditor' (V_3) actually facilitates quality control procedure. But, 'lack of enforceability of internal auditing standards' (V_8) makes the whole process sluggish. Confirmation on debtors and creditors balance is also necessary to inculcate a better quality control framework.

6 Conclusions

A structured and quality audit procedure cannot be imagined without its key associating input factors, such as internal auditing, external confirmations and auditors' expert. Relevant standards have enumerated different requirements with respect to these issues. However, it is imperative to know the opinions of current practising CAs and Students who are in the process of becoming a CAs on these issues and thereby judging the relevance of existing standards. From the empirical analyses, it is evident that CAs and Students are not homogenous in their opinions on the select issues. However, irrespective of their professional experience, respondents have opined that statutory auditor should evaluate the reports prepared by internal auditors and should not rely too much on their work. They also agree on the fact that confirmation is mainly required to validate debtors and creditors balances. Moreover, it is also observed that statutory auditors' dependence on internal auditors' work and confirmation on debtors and creditors balance significantly positively influence quality control procedure for statutory financial audit, while lack of enforceability of internal auditing standards slackens its process. The study finally recommends more vigorous compliance with existing SAs. Standards on Internal Auditing (SIAs) should be made mandatory with immediate effect.

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