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ABSTRACT

As a result of massive financial statement frauds at Enron, WorldCom, Tyco, Sunbeam, Waste Management, Xerox and others, the US Congress enacted the Sarbanes Oxley Act of 2002 (SOX 2002). This Act sets up the Public Company Accounting Oversight Board (PCAOB) which regulates the auditing profession in the US. The PCAOB issues auditing standards, inspects audit quality and also has enforcement powers. Following the US lead, nations, such as, Australia, Canada, and the United Kingdom have set up national statutory bodies to monitor audit quality.

This paper summarises the work of these national bodies and synthesises recent reports of these organisations concerning audit quality. Important lessons gleaned from this synthesis can be useful for those charged with audit regulation in India and elsewhere. For example, auditor regulation in India is in its nascent stage. In August 2013, the Companies Act of 2013 established the National Financial Reporting Authority (NFRA). NFRA is tasked with the monitoring of audits of public company financial statements in India, among other mandates. This paper discusses the draft rules for auditor oversight developed by NFRA and provides some suggestions as to how countries beginning to develop audit quality inspection procedures can benefit from the prior experiences of others.

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I. INTRODUCTION

The main purpose of this paper is to review the audit quality control approaches by entities such as the PCAOB (Public Company Accounting Oversight Board) in the US and the CPAB (Canadian Public Accountability Board) in Canada. These agencies oversee and inspect the work of auditors with the objective of maintaining and enhancing audit quality in their respective jurisdictions. This paper also synthesises recent reports of these organisations concerning the results of their inspection activities and contends that the findings of this synthesis provide significant opportunities to those charged with audit regulations to further enhance their quality control activities. In considering these opportunities, we focus on countries which are exploring methods of audit firm inspection, in particular, India.

The Indian Government recently passed the Companies Act of 2013 (Ministry of Law and Justice-India, 2013), which is similar in nature to the Sarbanes-Oxley Act of 2002 (SOX 2002). The Companies Act of 2013 has published a "Draft National Financial Reporting Authority Rules, 2013" describing the authority of NFRA (National Financial Reporting Authority) related to the accounting and auditing standard setting processes and related to regulating audit practice. In concept, the role of NFRA is similar to that of the PCAOB. However, the document "Draft National Financial Reporting Authority Rules, 2013" does not provide any specific details on how to perform inspections of audit firms.

Auditor oversight takes different forms in different countries. In some nations, a quasi-governmental agency, such as the PCAOB, is responsible for auditor regulation. In other nations, such as Australia, a government agency (the Australian Securities and Investments Commission - ASIC) is charged with public inspection of auditors. Some other nations still rely on peer reviews (Maijoor and Vanstraelen, 2012; Anantharaman, 2012). Several national regulatory agencies use inspectors who are not independent of the practicing profession and a few do not. Some regulators use non-practitioners or full-time inspectors who are independent of the profession (Palmrose, 2010). A few others, use peers for inspections who have the expertise but may not be independent. Some use peers for inspections of smaller audit firms and independent inspectors for larger firms (Maijoor and Vanstraelen, 2012).

A key aspect of the quality control activities involves the methods used to select the sample of audit clients that are inspected. The most prominent one is the *risk-based approach* that is used by regulators, such as the Canadian Public Accountability Board (CPAB), the Financial Reporting Council (FRC) in the U.K., the ASIC in Australia, and the PCAOB in the US.

An important feature and potential limitation of this *risk-based* approach is that they all use a non-random sampling approach which focus on 'high risk' audit deficiencies in the same areas – fair value measurement, accounting estimates, managerial judgment, revenue recognition, professional skepticism, and so on (IFIAR 2012). Since inspectors look for weaknesses only in these areas, significant audit errors in other areas likely go undetected. Alternative approaches, such as the *comprehensive approach* discussed in Srivastava, Mock and Ragothaman (2014), may prove to be more effective.

This paper proceeds as follows. Sections 2, 3 and 4 describe auditor regulation, audit quality oversight and the results of recent inspections in North America, Europe and then in Australia and Asia. The proposed draft rules by the NFRA for auditor oversight in India are then discussed in section 5. A conclusion is provided in section 6.

II. AUDITOR REGULATION IN NORTH AMERICA

In the U.S., the PCAOB is charged with auditor oversight of the audits of public companies. In February 2013, the PCAOB issued a summary report about the results of its inspections of smaller[1] (< 100 issuer clients) audit firms between 2007 and 2010. The PCAOB inspected 1,801 audit engagements in this time period and 28 per cent of these engagements had at least one significant audit performance deficiency (PCAOB, 2013). The deficiency rate was 36 per cent during the 2004-2006 period. Table 1 suggests that audit deficiencies are decreasing over time and this would perhaps suggest that the PCAOB inspections are contributing to an increase in audit quality.

TABLE 1

PCAOB Triennial Inspection Summary Deficiency Rates

	2004–2006	*2007–2010*
Audit Firms with at least one deficiency	61%	44%
Individual Audits with at least one deficiency	36%	28%
Audit firms inspected twice	55%	36%

Source: PCAOB 2013.

Most of the significant deficiencies were in the areas of the audit of accounting estimates, revenue recognition, fair value measurements, debt instruments, business combinations, related party transactions, analytical procedures and fraud assessment procedures. The PCAOB inspectors identified a failure to obtain sufficient evidence to support the audit opinion on the effectiveness of internal controls in 15 per cent of 309 engagements reviewed in 2010. In addition, in 39 of these 46 engagements, auditors were viewed as not obtaining sufficient evidence to support their opinion on the financial statements (PCAOB, 2012a).

The Canadian Public Accountability Board (CPAB) was created in 2003 to improve the quality of external audits. It is a not-for-profit corporation established by the Canadian Securities Administrators, the Canadian Institute of Chartered Accountants, and the Office of the Superintendent of Financial Institutions. 2011 CPAB inspection findings included the following. Of the

1 The auditing firms that audit less than 100 public companies annually are inspected once every three years, while the firms that audit 100 or more public companies are inspected every year.

114 Big 4 files inspected for 2011, there were audit deficiencies in 20 to 26 per cent of the files. 47 per cent of 41 files of other annually inspected firms contained audit deficiencies. Virtually all of the other inspected firms (43 smaller firms and 60 engagements) had significant GAAS deficiencies (CPAB, 2012).

The 2012 inspection findings by the CPAB indicate that of the 128 engagement files inspected from the Big Four firms, 15 to 17 per cent contained audit deficiencies, showing a 30 per cent reduction from 2011. However, the improvement was not uniform among the Big 4 firms. Interestingly, less than two per cent of the auditees had to restate their financials. Most of the identified deficiencies were in the areas of the audit of accounting estimates, substantive analytical procedures and audit work on internal controls. In addition, the CPAB also inspected 83 engagement files from other firms (CPAB 2013). Most of the identified deficiencies were in the areas of analytical procedures, work by group auditors, use of management experts, impairment testing and internal control matters.

The CPAB (2012) concluded that the audit deficiencies found in audits conducted by Canadian Chartered Accountants are similar to those found by other regulators in other jurisdictions. CPAB (2012, page 4) states:

> "This is not just a Canadian problem. CPAB's findings are consistent with those noted by other audit regulators around the world. In particular, they have also raised concerns about a lack of professional skepticism, inadequate supervision and review, ineffective substantive analytical procedures, and the poor quality of evidence in the audit files. Reported deficiency rates in several major countries are similar to CPAB's. Matters of greatest concern to regulators are not country-specific, but relate to the profession at large."

Auditor oversight in some countries is carried out by governmental agencies, by peers in other countries and by quasi-governmental agencies, such as, the PCAOB in other nations. For example, the FRC in the UK is partly funded by the government and by industry. FRC's Board is appointed by the Secretary of State for Business, Innovation and Skills in the UK. The Public Oversight Board (POB) which is supervised by the FRC is responsible for audit inspections in the UK. The PCAOB is a non-profit corporation and its board members are appointed by the SEC.

The Australian Securities and Investments Commission is a government agency charged with audit quality inspection. In China, the China Securities Regulatory Commission and China's Ministry of Finance exercise oversight responsibilities over auditors. Similarly, in Italy, the audit profession is heavily regulated and CONSOB (Commissione nazionale per le societa' e la borsa), a public authority responsible for regulating the Italian stock market, is also responsible for auditor oversight.

Audit inspection findings are made public in many countries. Transparency of results is good in Australia and Canada. A major part of the findings are released in England. In the US, the PCAOB issues two types of findings designated as Part I and Part II Findings. The Part I findings are public and the Part II findings are released to the public after a year only if the auditing firms do not address the deficiencies to the satisfaction of the PCAOB. At the extreme, are countries, such as Belgium, where no results are made public. There are other regulatory bodies in mainly emerging economies which follow the example of Belgium.

III. OVERSIGHT OF THE VARIOUS OVERSIGHT BODIES

The European Group of the Auditors' Oversight Bodies (EGAOB) was established by the European Commission in December 2005. A key objective of this group is to advise the European Commission on statutory audit matters. EGAOB also plays the role of a coordinator for public oversight systems for audit firms within the European Union (Maijoor and Vanstraelen, 2012). Maijoor and Vanstraelen discuss the dominant principle used to resolve coordination issues which is called "home country control."

The home country control principle suggests, for example, that if a US audit firm operates in Germany, the US (the home country) regulators will exercise oversight responsibility over the audit firm operating in Germany. However, the host country (German) audit regulators have access to all of the inspection results from the home country (US) regulators. This principle assumes the quality of audit regulation in the home country is acceptable to the regulators in the 'non-home' countries.

For example, Cohn (2011) reports that the European Commission has decided to grant "equivalency" to the auditing oversight systems in 10 countries: Australia, Canada, China, Croatia, Japan, Singapore, South Africa, South Korea, Switzerland and the United States. This may suggest that, in the eyes of EU, these ten countries have well-established systems of auditor oversight. According to EU commissioner Barnier (Cohn, 2011), this equivalency decision can result in three benefits: (1) avoiding duplications in supervisory work; (2) lowering the inspection burden on audit firms; and (3) promoting high-quality audits. Twenty additional third-party countries have been granted a transitional period by the EU so that these countries can develop their audit supervisory systems.

In the U.K., the Audit Inspection Unit of the Financial Reporting Council (FRC) is charged with auditor oversight. Audit inspections in the U.K. are known for their transparency and independence (Maijoor and Vanstraelen, 2012). The FRC inspected 94 audits in the 2011-2012 time period. Some of the identified deficiencies were in the areas of revenue recognition, materiality determination, loan loss provisioning, forbearance, use of specialists, goodwill impairments, going concern issues, group audits, professional skepticism, and audit work on internal controls. Thirty-nine of these 94 reviewed audits received the highest rating - "good with limited improvements required." Thirty-seven out of 94 received the mid-level rating – "acceptable overall with improvements required." Only 8 of the 94 audits reviewed received the lowest rating – "significant improvements required." Deficiencies were noted in the areas of impairment testing for goodwill and other intangibles, sufficiency of revenue tests, review of loan loss provisions, and going concern evaluation (*see* FRC, 2011-2012).

IV. AUDITOR INSPECTION IN AUSTRALIA AND ASIA

Audit inspection reports by the Australian Securities and Investments Commission (ASIC) are made public once every 18 months (ASIC, 2012). Listed companies, banks, insurance companies are called public interest entities (PIEs) and the auditors of these PIEs are inspected by ASIC. The main purpose of audit inspections by ASIC is to promote high quality external audits of financial statements of PIEs. ASIC typically reviews areas involving significant judgments or management estimates, going concern matters, asset impairments, fair value matters, and others (ASIC, 2012).

ASIC's public report on their inspection results for 2011-12 indicates that there were deficiencies in 108 audit areas out of 602 (18 per cent) reviewed (ASIC, 2012). The ASIC inspectors mainly questioned the sufficiency of the audit evidence obtained and the degree of professional skepticism exhibited by external auditors. These deficiencies need not necessarily indicate materially misstated financial statements, but likely a heightened risk that the statements may be materially misstated.

Audit regulators from many countries including the Japan, Australia, Germany, US, UK, and Canada set up the International Forum of Independent Audit Regulators (IFIAR) in 2006. IFIAR currently has 44 members. IFIAR holds bi-annual meetings "to exchange information and experiences relating to inspections of audit firms." The objectives of IFIAR are: "Sharing knowledge of the audit market environment and practical experience of independent audit regulatory activity with a focus on inspections of auditors and audit firms, promoting collaboration and consistency in regulatory activity, and providing a platform for dialogue with other international organisations that have an interest in audit quality (IFIAR, 2010)."

Of 43 members (regulators) who were surveyed by IFIAR in 2012, 39 regulators returned the completed survey (IFIAR, 2012), a response rate of 91 per cent. The members used their most recent inspection results to answer the survey questions. The most recent audit inspections by these 39 regulators ended during the period between December 2010 and June 2012. The IFIAR collected inspection information from 22 regulators on their inspection of 961 audit engagements of Public Interest Entities (PIEs). There were 1,072 individual deficiencies (findings) and several engagements had no deficiencies while others had one or more deficiencies. The audit deficiency findings were related to 13 inspection themes. The top six deficiency themes are fair value measurements (16%), internal control testing (11%), engagement quality control reviews (11%), adequacy of review and supervision (11%), adequacy of financial statements and disclosures (10%), and revenue recognition (8%) (*see* Table 2).

The IFIAR 2012 survey respondents also indicated that the most frequently noted challenges and audit quality issues were: (1) failure to exhibit adequate professional skepticism (54%), (2) failure to gather sufficient audit evidence regarding managerial judgments (46%) and (3) insufficient execution of engagement quality control review (42%).

TABLE 2

IFIAR 2012 Survey of Inspection Findings of Public Interest Entities (PIES)

Inspection Themes	*Number of PIEs*	*Percentage*
Fair Value Measurements	169	16%
Internal Control Testing	117	11%
Engagement Quality Control Reviews	116	11%
Adequacy of Review and Supervision	115	11%
Adequacy of Financial Statements & Disclosures	109	10%
Revenue Recognition	86	8%

Source: IFIAR 2012.

The IFIAR (2012, page 20) report concludes:

> "The frequency of findings across jurisdictions in the various audit areas demonstrates that audit firms should continue to improve their auditing techniques and also their oversight policies and procedures. The fact that so many findings recur year after year in the same inspection theme areas, suggests that audit firms should take steps to develop a robust root cause analysis to gain a clearer understanding of the factors that underlie these findings and take appropriate actions to remediate those inspection findings."

Professional skepticism involves having a questioning mind while analysing audit evidence[2]. It does not require auditors to be suspicious of their clients, but they should not be too trusting of their clients. It is a mindset that auditors should develop accumulating evidence. Auditors should be alert to inconsistencies in statements from different client personnel. Hard questions have to be asked without developing a confrontational attitude toward clients (Gunn and Jules, 2012). Auditors may want to learn about two types of skepticisms — Trait and State skepticism. Trait skepticism refers to the relatively stable and enduring individual characteristic of a "questioning mind." State skepticism refers to a temporary state of skepticism aroused by engagement circumstances or situational variables.

2 According to the International Auditing and Assurance Standards Board (IAASB): "Professional skepticism is an essential attitude that enhances the auditor's ability to identify and respond to conditions that may indicate possible misstatement. It includes a critical assessment of audit evidence. It also means being alert for audit evidence that contradicts other audit evidence or that brings into question the reliability of information obtained from management and those charged with governance" (Gunn and Jules, 2012).

Auditors are subject to biases and even well-trained auditors can miss misstatements in financial statements. NFRA may want to stress the importance of professional skepticism for auditors in India. Audit staff practice risk alert no. 10 (PCAOB, 2012b), in fact, provides detailed guidance to the US auditors about applying professional skepticism in the conduct of audits. The NFRA can follow the example of PCAOB (2012b) and issue audit practice risk alerts to emphasise noteworthy concepts or circumstances that may help auditors to conduct high quality audits.

V. PROPOSED AUDITOR REGULATION IN INDIA

As mentioned in the introduction, India has recently set up its own quasi-governmental auditor oversight organisation, the National Financial Reporting Authority (NFRA). The Companies Act of 2013 established the NFRA as the monitoring agency for auditors in August 2013. According to Rule 132 of the Companies Act of 2013, NFRA, once it is passed by the Central Government, will have the following responsibilities:

- Make recommendations to the Central Government on the formulation and laying down of accounting and auditing policies and standards for adoption by companies and/or their auditors.
- Monitor and enforce the compliance with accounting standards and auditing standards.
- Oversee the quality of service of the professions associated with ensuring compliance with such standards, and suggest measures required for improvement in quality of service and such other related matters as may be prescribed.

NFRA will consist of nine full time members and some part-time members not to exceed a total of fifteen members. These members are to be appointed by the Central Government and should have expertise in auditing, accounting, finance or law. NFRA will function in the form of three committees: Committee on Accounting Standards, Committee on Auditing Standards, Committee on Enforcement. The Committee on Accounting Standards has similar roles as the FASB in the US. The roles of the Committee on Auditing Standards and the Committee on Enforcement are similar to PCAOB responsibilities in the US.

Committee on auditing standards and its functions

The Committee on Auditing Standards will be comprised of 7 members and will have the responsibility to examine the matters relating to the formulation of auditing standards and making recommendations for any new standard or amendments to NFRA.

Under the monitoring responsibility, the Committee on Auditing Standards shall monitor the compliance of auditors with accounting and auditing standards and must submit period reports to NFRA. For this purpose, the Committee on Auditing Standards will perform the following (*see* NFRA, 2013 for details):

- Investigate or review selected audit and review engagements, including specifically the working papers;
- Evaluate the sufficiency of the quality control system of the auditor, and the manner of the documentation and communication;
- Perform such other testing of the audit, supervisory, and quality control procedures of the auditor as considered necessary or appropriate.

NFRA rules specify the minimum qualification for inspectors who will perform the above inspections. Such inspectors should have at least 10 years of auditing experience and exposure to audits of the relevant industry. NFRA 2013 allows the Committee on Auditing Standards to seek the assistance of ICAI (the Institute of Chartered Accountants of India) in conducting such investigation or in any other manner as may be approved by NFRA. NFRA 2013 rules also allow outsourcing of inspection, up to a period of two years from the commencement of NFRA rules. The Committee on Auditing Standards will issue a non-public portion of the report of the company or professional, subject to the approval of NFRA, and refer matters to NFRA to decide on further course of action, through the Committee on Enforcement. If there have been violations of laws, rules or professional standards as indicated in the report, the Committee on Enforcement can trigger investigations, disciplinary action, or refer the matter to other regulators or law enforcement agencies.

In addition to the above inspection and reporting requirements to improve the audit quality, Rule 144 of the Companies Act 2013 does not permit auditors to provide certain non-audit services to their clients, similar to the PCAOB restrictions. Also, according to Rule 139 of the Companies Act of 2013, the audit partner must rotate every five years and the audit firm must rotate every 10 years. This is somewhat similar to the European model which requires audit firm rotation every 10 to 24 years (Chasan, 2014). After 10 years, a company can extend the auditor rotation time frame if it puts up the audit contract for a new bid at the end of 10 years or if it appoints a joint auditor.

While mandatory auditor rotation has been approved by the European Parliament, the PCAOB in the US has abandoned its auditor rotation proposal, at least temporarily (Ryan, 2014). Audit committees in the US were opposed to the firm rotation proposal since they felt it would encroach upon the key role of audit committees to hire and fire auditors on the basis of their performance. Note that the PCAOB already requires engagement (lead) partner rotation every five years and the lead partner has to sit out for five years. Such a partner rotation could be bringing in a fresh set of eyes and could be enhancing professional skepticism. Proponents of mandatory firm rotation argue that it would increase auditor's "independence in fact and appearance," and decrease market concentration of the Big 4 firms (Ewelt-Knauer et al., 2012). Opponents of the mandatory firm rotation argue that it could potentially lead to more audit failures, would increase set-up costs, and may adversely affect audit quality (Ewelt-Knauer et al., 2012). Benefits of mandatory firm rotation could be achieved by mandatory lead partner rotation since new lead partners will bring a fresh set of eyes and perspectives once every five years. More importantly, some nations have first adopted mandatory firm rotation only to reject it later on after some bad experience with it and these countries include Latvia, South Korea, Canada, Czech Republic, Singapore and Slovak Republic (Ernst and Young, 2013). NFRA may want to consider the experiences of these countries and could benefit from a thoughtful examination of pros and cons of mandatory firm rotation.

Challenges in monitoring and inspecting audit quality

While the draft NFRA rules lay down the authority and responsibility for NFRA to monitor the work of auditors to maintain the audit quality, it does not provide any guidance as to the process of monitoring. For example, as an inspector, it is important to know answers to the following questions. How to select which company's audit work papers to inspect for a given audit firm? How many companies, i.e., clients, to inspect for a given audit firm? How to select which accounts and transaction cycles to inspect in detail to identify audit deficiencies?

The PCAOB and other countries identified earlier have been using a *risk based approach* for their inspection process (CAQ, 2012). However, there are some problems in such an approach.

Srivastava, Mock and Ragothaman (2014) have proposed a conceptual framework for the audit quality inspection process, which incorporates aspects of the risk-based approach. They demonstrate through a case study how the PCAOB's risk-based approach could miss major audit deficiencies if the fraud is perpetrated in a non-risky account such as cash. Satyam Computer Services Limited (Bhasin, 2013) is such an example where not only the audit firm, PwC, failed to detect material fraud in the cash account but also the PCAOB inspection team failed to detect the fraud and any related audit deficiencies.

Basically, the purpose of the audit inspection process is to determine whether the auditor has collected sufficient competent evidential matter to support the audit opinion provided. If in the judgment of the inspector, the auditor has failed to achieve the above objective, that is, did not collect sufficient competent evidence to render the opinion, the inspector will then identify the deficiencies in the audit process. In most jurisdictions, a non-public opinion about the deficiencies of the audit process will be communicated to the audit firm and eventually public disclosures of some of the findings will be made public. The inspector also may be required to report to enforcement entities for further action if any disciplinary actions are needed to be taken against the auditor.

Such a process is expected to improve the quality of the audit. However, given the weaknesses in current inspection processes, for example the Satyam case discussed earlier, it is not clear, especially within the Indian context, how such audit quality inspection should be modified to enhance performance. As mentioned earlier, the draft National Financial Reporting Authority Rules (NFRA

2013) describes only the responsibilities for such an inspection but does not provide guidance as to how the inspection is to be performed.

The Center for Audit Quality in the US has recently published a guide on the PCAOB's risk-based approach (CAQ, 2012) for conducting an audit quality. Srivastava, Mock and Ragothaman (2014) have proposed a comprehensive framework for audit quality inspections and point out possible shortcomings of the PCAOB's current approach.

In order to develop a conceptual framework for the audit inspection process within the Indian context, we first need to understand the audit process in India. Looking at the various Standards on Auditing (SA) promulgated by the ICAI (Institute of Chartered Accountants of India) such as SA 315 — *Identifying and Assessing the Risks of Material Misstatement Through Understanding the Entity and Its Environment*, SA 330 — *The Auditor's Responses to Assessed Risks*, and SA 240 (Revised) — *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*, we see that the audit process in India is similar to the process in the US (PCAOB, 2005). Thus, an approach similar to Srivastava, Mock and Ragothaman (2014) for US may be useful in the Indian context. Their approach is based on evidential reasoning and may decrease the likelihood of such omissions as in the case of Satyam.

V. SUMMARY AND CONCLUSION

Following the US lead in setting up the Public Company Accounting Oversight Board (PCAOB) to regulate the auditing profession, several other nations, such as, Australia, Canada, the United Kingdom, and Japan, have set up national statutory bodies to monitor auditor work in their respective countries. This paper summarises the work of these national bodies in recent years and synthesises recent reports of these organisations which summarise the public results of their inspections. Important lessons gleaned from this synthesis can be useful for those charged with audit regulation in India (e.g. NFRA) which is in its nascent stage.

A key lesson is that the commonly identified inspection deficiencies across jurisdictions relate mainly to general audit profession's weaknesses rather than country-specific issues. Thus, for example, NFRA should develop detailed policies and procedures for examining estimates and judgment issues as weaknesses in this area have been identified in most reports on audit inspection results. Some of the other lessons would include developing a risk-based inspection programme, emphasising professional skepticism, and completing a thoughtful consideration of a mandatory firm rotation policy.

Inspection findings across countries tend to recur in the same areas such as fair value accounting, revenue recognition, judgments, internal control testing, quality control reviews, and adequacy of disclosures (*see* Table 2). This would suggest that auditors across countries would do well to perform root cause analyses of these identified weaknesses in audit performance and take meaningful actions to remediate inspection findings. Perhaps the auditing profession could learn from air traffic studies, emergency hospital procedure studies, and engineers who perform rigorous "failure studies" and come up with effective models for improvement (Peterson, 2014).

In addition to summarising the findings of several national audit regulators, this paper also discusses the draft rules for auditor oversight developed by the NFRA in India. We discuss the importance of professional skepticism on the part of auditors while performing financial statement audits. NFRA may wish to consider the experiences of countries that first adopted firm rotation only to abandon it later and should carefully weigh the costs and benefits of adopting the policy of mandatory audit firm rotation.

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Annual Seminar & AGM

IAA Research Foundation Announces its **Annual Seminar** on Saturday the 26th July, 2014, jointly with International Management Institute (IMI) - Kolkata.

Topic : **Enterprise Risk Management (ERM)**

Venue : Seminar Hall (Room No. 104)

International Management Institute (IMI) – Kolkata
2/4C, Judges Court Road, Alipore, Kolkata – 700 027.

Inauguration will be at 10.00 a.m. After inauguration, **G. D. Roy Memorial Lecture** will be held in the first technical session (10.45 a.m. – 12.15 p.m.).

The Seminar will be followed by **Annual General Meeting** in the same venue.

For further details visit Foundation's website iaarf.in