

Auditing the Auditors: A Comparative Study with Reference to India, UK and USA

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ABSTRACT

Setting up of National Financial Reporting Authority (NFRA) in India as an independent regulator to audit the auditors has renewed a debate on “peer review” and “independent review”. While the global practice is that of an independent oversight over the auditors, the professional body of auditors in India-Institute of Chartered Accountants of India (ICAI) is opposed to the move of the government to appoint a regulator over auditors. This paper examines the audit procedures and audit format followed by India, UK and USA. The professional courses that are offered to tune the auditor’s professional skills, qualities and knowledge, such as, CA, CPA and ACCA followed by these countries are reviewed. Financial statements audited by an independent auditor and in accordance with the auditing standards inspire confidence. An important element of this process is the auditor’s report which communicates the auditor’s opinion on the financial statements. However, the effectiveness of these reports has been limited by the boilerplate reporting language and lack of useful information for the stakeholders. The International Auditing and Assurance Standards Board (IAASB), acknowledging the criticality of auditor reporting to the value of financial statement audit and the audit profession, issued new and revised auditor reporting standards in January 2015. These standards are aimed at modifying the design of the report to accommodate evolving national financial reporting regimes, while communicating common and essential content. These standards are effective for audits of financial statements for periods ending on or after 15 December 2016. All these audit responsibilities and regulations contribute significantly towards the type of audit quality every country enhances among them and this in turn either uplifts the trust carried among the auditors through the various stakeholders or leads to different corporate scandals which break down the audit carried by firms completely. The study finds that all stake holders including practicing public accountants believe that the present state of auditing is not satisfactory in India as compared to UK and USA. For the purpose of the study the data is collected from audit professionals, financial experts, academicians and stake holders with the help of well-structured questionnaire (5-point likert scale). Factor Analysis and Confirmatory Factor Analysis along with Inferential Analysis is computed. Finally, path diagram is drawn with the help of Structural



Equation Modelling. The discussions highlight that in order to elevate a country like India, adapting stringent rules and regulations is much necessary in order to ensure that profession of audit always serves towards a good impact in terms of factors such as auditor's fees, auditors' size and auditors' reputation. The findings and suggestions may be useful for the policy makers, academicians and the stake holders.

Keywords: Auditing, Skills, Qualities, NFRA, ICAI.