Exploring Variables Governing Quality Control Procedure for Statutory Financial Audit: An Empirical Analysis

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Abstract

The paper empirically examines the perceptions of Chartered Accountants (CAs) and Students pursuing Chartered Accountancy Course on select issues governing quality control procedures for statutory audit of financial statements in Indian companies. Based on Standard on Quality Control-1 (SQC-1) issued by the Institute of Chartered Accountants of India (ICAI), 19 such issues have been selected. A close-ended structured questionnaire with Likert 5-point scale has been designed incorporating these issues with a view to obtaining the opinions of CAs and students on them. The questionnaire was administered through a field survey in Kolkata on a sample of 100 practising CAs and 100 students. An analysis of collected data validates significance of SQC-1 in the quality control functions of an accounting firm. However, the firms are required to be more compliant with select provisions of the standard. The approach of CAs and students towards quality control issues are significantly different. While the CAs are more concerned with the practical ways of dealing with quality control issues in an accounting firm, students are inclined to the normative aspects of the standard. The study findings also reveal that lack of information provided by the audit client; a lengthy association with them; framework for imparting training to a new member in an accounting firm; and mechanism for resolving the difference of opinion between engagement partner and engagement quality control reviewer (EQCR), etc. have

significant association with satisfactory quality control procedures in an accounting firm.

Keywords: Statutory Audit, Quality Control, Mann-Whitney Test, Correlation Coefficient, t test

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1. Introduction

In the age of sheer competition, corporate organisations retain their levels of earnings by frequently resorting to earnings management using irregularities in accounting framework and show a shimmering financial position of the company to accomplish their goal. This information asymmetry between management and stakeholders of the corporate entity often furnishes the wrong impression about the future of company's financial position. Truly speaking, statutory audit of financial statements reduces this information asymmetry by protecting stakeholders' interest (Becker, et.al., 1998). It involves confirmation of financial statements of the corporate enterprise by a skilled authority independent from the organisation. Statutory auditors form an independent view about financial statements based on adequate and suitable audit evidences and report the same to their appointing authority (ICAI, SQC-1, 2009). An audit is considered to be a quality audit if the auditor is able to detect and unveil any questionable accounting practices and violation of applicable accounting regulation in the financial statements. If misreporting on the part of the management is detected and exposed, status of the corporate entity is likely to be spoilt. Hence, high quality audit is more likely to identify earnings management as well as accounting fraud and safeguard stakeholders' interest and vice versa (Deis & Giroux, 1992). Professional institute and other regulatory bodies governing statutory audit operations in different countries have projected certain regulatory pronouncements to ensure audit quality. Observance with appropriate professional and ethical standards and issuing report which is fitting in particular situation is the basic pre-requisite of audit quality (ICAI, SA-220, 2009). However, in recent corporate governance failures [e.g., Enron, Com Road, Satyam, etc.], it has been repeatedly proved that statutory auditors failed to provide quality audit to their client companies. With a view to stimulating this deteriorating trend in audit quality, quite a few regulatory processes have been introduced over the years (Saha & Roy, 2017). Accounting firms which are responsible for providing audit services took revolutionary role in controlling audit quality. They formulated quality control policies,

and implemented them for all their professional engagements. In India, the Institute of Chartered Accountants of India (ICAI) issues Standard on Quality Control-1 (SQC-1) to monitor quality control policies of Indian accounting firms. In pursuant to the Chartered Accountants (Amendment) Act, 2006, the Central Government constituted a Quality Review Board to review quality of services provided by the members of the ICAI and to guide them in improving quality of service and to suggest to the Council of Chartered Accountants of India (CCAI) to take necessary action (Agarwal, 2015).

In this backdrop, the current study makes an empirical analysis on quality control procedure for statutory audit of financial statements in the light of SQC-1 issued by the ICAI.

2. A Profile of Literature and Research Gap

A few conceptual and empirical studies relating to audit quality and quality control procedures and their relationship with other significant variables are presented briefly here. Francis (2004) in his study reviewed empirical researches on audit quality for the last 25 years. He observed that quality of audit as compared to audit fees was quite satisfactory. Weber, et. al. (2008) in their research paper investigated the effect of audit firm reputation on audit quality with respect to one of the important scandals in Germany – Com Road AG. They analysed different aspects of auditing of that company and came to the conclusion that reputation of KPMG, the audit firm at Com Road actually was a factor that influenced their audit quality in the scandal. Becker, et. al. (1998) in their paper examined the relationship between audit quality and earnings management. The authors concluded that lower audit quality was associated with higher earnings management. Tendeloo & Vanstraelen (2008) conducted a similar analysis but with private firms in European countries. They also observed that audit quality was inversely proportional to the earnings management in the private companies. Impact of audit quality on earnings management was also analysed by Lin & Hwang (2010) in their study. They studied that auditor tenure, auditor size and specialisation, audit fee directly influenced audit quality. If audit quality increased, possibility of earnings management diminished. Jeong & Rho (2004) in their research paper investigated whether any significant difference existed between big six and non-big six companies in terms of audit quality when there was no incentive for the auditors to provide high quality audits. The result exhibited that in terms of audit quality no significant difference existed between big six and non-big six firms. Audit quality

differentiation between big six and non-big six accounting firms was also analysed by VanderBauwhede & Willekens (2002). It was observed by the authors that audit quality differentiation did not exist between big six and non-big six firms. Deis & Giroux (1992) in their article presented the important determinants of audit quality. The empirical findings of the paper suggested that report timeliness and audit hours were the significant determinants of audit quality. Choi, et. al. (2010) in their research article analysed the impact of audit firm size on audit quality. Using a large sample of audit clients in United States (US) over the period 2000-2005, the authors concluded that greater the size of the audit firm better was the quality of audit. Lennox (2009) in his paper investigated the impact of non-audit services on audit quality. The empirical result suggested that when non-audit fees were voluntarily disclosed, provision of non-audit services did not impair audit quality. DeFond & Lennox (2011) in their paper analysed the impact of Sarbanes Oxley (SOX) Act, 2002 on audit quality. They observed that after the implementation of SOX, many small auditors who could not comply with the quality norms enforced by the Public Company Accounting Oversight Board (PCAOB) left the market. The quality of audit of the surviving firms was certainly very high. Casterella, et. al. (2009) in their research study, examined the impact of peer review on audit quality. Saha & Roy (2017) in their recent book have discussed quality control procedures for statutory financial audit with a comprehensive outlook. They have conceptually discussed the regulatory provisions governing quality control procedures in different countries. They have also empirically analysed the perceptions of practicing CAs and students pursuing chartered accountancy course on the effectiveness of Indian quality control framework for statutory auditors currently in place.

2.1 Research gap

Based on the literature reviewed so far, some of the important issues relating to quality of audit and quality control procedure have been unearthed. In most of the studies, impact of audit firm reputation, report timeliness, audit hours, audit firm's size, non-audit services, and audit inspection mechanism on quality of audit of financial statements were examined, whereas some of the studies analysed the relationship between earnings management and quality of audit. Audit quality differentiation between big audit firms and non-big audit firms were also discussed by some of the authors. Impact of regulatory intervention on quality of audit was enumerated in recent

researches. Despite presence of a vast pool of researches in this field, there is a need to conduct empirical researches on quality control procedures in statutory audit, as so-far-known, empirical studies in this field are not sufficient enough. Research on quality control in statutory audit that takes into consideration opinions of both Chartered Accountants and students who are in the final group of their Chartered Accountancy course has not been made so far. The reason behind such selection is to capture two hypothetically contrasting views from two groups who are different in their approach towards the issues pertaining to quality control procedure for statutory financial audit. It may be argued that CAs with their long tenure of professional experience are not comparable with students who are yet to start their practice. However, it cannot be denied that not long ago, practising CAs were students themselves. Students who are in fact CA finalist with one group left to pass the CA course are about to start their practice or join industry based on their theoretical knowledge gathered throughout the course. Hence, it is likely that they have a complete theoretical grasp on a critical issue like quality control just like a practising CA. On the other hand, every CA finalist has to go through rigorous practical training programmes where they have to perform audit activities in different companies being part of actual audit team of the accounting firm they are working in. This provides them with a practical understanding of their theoretical knowledge gathered throughout the course. Hence, they may have a comparable view as that of the CAS. The only difference between them being, students are more vibrant, exuberant and ethical. Hence, in studies like these, where opinions of both CAs and students are considered, students are presumed to convey the actual scenario which may not be reflected in the opinions of CAs who may provide their response strategically keeping in view their client's interest. While CAs provide their responses based on how the issues relating to quality control are dealt in practical field, students provide their response on how they should be. Such mixed views on quality control procedure have not been seen in studies so far. Sophisticated statistical analyses on respondents' perceptions in this field have also not been observed in existing studies so far. Based on analysis of the research gap, three specific objectives have been set for the current study that takes into account opinions of CAs and students on select issues governing quality control procedures for statutory financial audit.

3. Objectives

Keeping in mind the research gap, the major objectives of this study have been taken as follows:

(i) To analyse the opinions of Chartered Accountants and Students pursuing Chartered Accountancy Course on select issues governing quality control procedure for statutory audit of financial statements (*Refer to Section 4.1 & 6.1);*

(ii) To study empirically the significant difference of opinion between CAs and Students on select issues governing quality control procedure for statutory financial audit (*Refer to Section 4.2 & 6.2);* and

(iii) To identify the variables significantly influencing quality control procedure (*Refer to Section 4.3 & 6.3*).

4. Hypotheses based on Objectives

a. *Hypothesis-1: Chartered Accountants and Students pursuing Chartered Accountancy Course have Comparable Perceptions on the Broad Issues Governing Quality Control Procedure for Statutory Financial Audit of Indian Firms (Based on Objective-1 and addressed in Section 6.1)*

Here the objective is to unearth the perceptions of individual respondent categories on select issues that may govern quality control procedure for statutory financial audit. Accordingly, 19 important issues having considerable influence on satisfactory quality control procedure was selected (*Refer to Section 5.1*). The theoretical hypotheses against each of these issues are mentioned as follows:

Hypothesis-1$_1$:	Quality control policies are properly designed by CEOs of most of the accounting firms in India
Hypothesis-1$_2$:	All the partners and employees of the firm have required integrity, objectivity and competence for ethical completion of audit procedure.
Hypothesis-1$_3$:	Most of the accounting firms in India provide education and training to new members of the firm to make them conversant with the quality control procedure.

Hypothesis-1₄:	Every accounting firm has established stringent policies of punishment if quality control policies are not performed by member of the firm.
Hypothesis-1₆:	Long auditor relationship with the audit client reduces audit quality.
Hypothesis-1₇:	Credibility and integrity of the client are mandatorily checked by the audit firm before accepting engagement as per the requirements of SQC-1.
Hypothesis-1₈:	Engagement partners can be associated with an audit client for maximum 7 years.
Hypothesis-1₉:	Members of the engagement team are formally trained and competent to take up audit responsibilities.
Hypothesis-1₁₀:	Involvement of another senior partner of the accounting firm in the engagement team to review overall audit strategy enhances the quality of audit
Hypothesis-1₁₁:	Competence and integrity of the auditor's expert is satisfactory.
Hypothesis-1₁₂:	The internal quality control system and their actual compliance of the accounting firm are constantly monitored by the Council of the ICAI.
Hypothesis-1₁₃:	In most of the audit firms, competence and ethical requirement of the engagement team members are not thoroughly investigated.
Hypothesis-1₁₄:	Few accounting firms in India appoint Engagement Quality Control Reviewer (EQCR).
Hypothesis-1₁₅:	The independence of the EQCR is thoroughly checked by the

	accounting firm before appointment.
Hypothesis-1₁₆:	Appointing firms have a proper system of resolving difference of opinion between EQCR and Engagement Partner.
Hypothesis-1₁₇:	The findings of engagement quality control review are properly documented.
Hypothesis-1₁₈:	Engagement documentation kept for at least 10 years as per SQC1 is sufficient to accounting firm.
Hypothesis-1₁₉:	Any allegation received against any member or employees of non-compliance with professional or ethical standard is resolved within the quality control framework of the firm.

b. *Hypothesis-2: There is no considerable divergence in the observations of CAs and Students on Select Issues governing Quality Control Procedure for Statutory Audit of Financial Statements (Based on Objective-2 addressed in Section 6.2)*

In this segment, an attempt has been made to statistically analyse the significant differences of opinions between CAs and students. As mentioned earlier (*Refer to Section 2.1*), CAs would respond on realities of select issues pertaining quality control procedure, while students would portray the normative situation for those variables. In ideal situation, the views of CAs and students should not be significantly different. But in reality, they might be different for some variables. It means for those variables the ideal condition is somewhat different from the reality and requires attention of the regulatory authorities. Hypotheses for 19 independent variables under study are drawn below:

Hypothesis-2₁:	There is no considerable divergence in the observations of CAs and Students on 'proper designing of quality control policies'.
Hypothesis-2₂:	There is no considerable divergence in the observations of

	CAs and Students on 'integrity of all the partners in an accounting firm'.
Hypothesis-2$_3$:	There is no considerable divergence in the observations of CAs and Students on 'education and training to new members in a firm'.
Hypothesis-2$_4$:	There is no considerable divergence in the observations of CAs and Students on 'stringent policies on punishment on breach of quality'.
Hypothesis-2$_5$:	There is no considerable divergence in the observations of CAs and Students on 'insufficiency in information provided by engagement partner to firm on audit client'.
Hypothesis-2$_6$:	There is no considerable divergence in the observations of CAs and Students on 'long association with audit client'.
Hypothesis-2$_7$:	There is no considerable divergence in the perception of CAs and Students on 'mandatory checking of credibility of the client'.
Hypothesis-2$_8$:	There is no considerable divergence in the observations of CAs and Students on 'maximum period of association of 7 years'.
Hypothesis-2$_9$:	There is no considerable divergence in the observations of CAs and Students on 'formal training to each member of an audit team'.
Hypothesis-2$_{10}$:	There is no considerable divergence in the observations of CAs and Students on 'involvement of another senior partner to review audit strategy of an engagement team'.
Hypothesis-2$_{11}$:	There is no considerable divergence in the observations of CAs and Students on 'competence and integrity of the auditor's expert'.
Hypothesis-2$_{12}$:	There is no considerable divergence in the observations of CAs and Students on 'constant monitoring internal quality control policies and their compliance by professional institute'.
Hypothesis-2$_{13}$:	There is no considerable divergence in the observations of

	CAs and Students on 'lacuna in monitoring competence and ethical requirement of engagement team members'.
Hypothesis-2_{14}:	There is no considerable divergence in the observations of CAs and Students on 'lesser appointments of Engagement Quality Control Reviewer (EQCR) by Indian firms'.
Hypothesis-2_{15}:	There is no considerable divergence in the observations of CAs and Students on 'independence of EQCR'.
Hypothesis-2_{16}:	There is no considerable divergence in the observations of CAs and Students on 'system within firm for resolving difference of opinion between EQCR and engagement partner'.
Hypothesis-2_{17}:	There is no considerable divergence in the observations of CAs and Students on 'documentation of EQCR findings'.
Hypothesis-2_{18}:	There is no considerable divergence in the observations of CAs and Students on 'retention of EQCR findings for a sufficient period'.
Hypothesis-2_{19}:	There is no considerable divergence in the observations of CAs and Students on 'resolving non-compliance by firm members within quality control framework'.

c.   *Hypothesis-3: Issues Relating to Quality Control Procedures do not Significantly Influence Satisfactory Quality Control Framework in an Accounting Firm (Based on Objective-3 addressed in Section 6.3)*

Here, the objective is to identify the issues that may have statistically significant influence on satisfactory quality control procedures for statutory financial audit. However, initially, it is believed that select issues do not have any association with the current theme. Based on this idea, the hypotheses for each select issue are drawn as follows:

Hypothesis-3_1:	'Proper designing of quality control policies' does not significantly influence satisfactory quality control framework in an accounting firm.
Hypothesis-3_2:	'Integrity of all the partners in an accounting firm' does not

	significantly influence satisfactory quality control framework in an accounting firm.
Hypothesis-3_3:	'Education and training to new members in a firm' does not significantly influence satisfactory quality control framework in an accounting firm.
Hypothesis-3_4:	'Stringent policies on punishment on breach of quality' does not significantly influence satisfactory quality control framework in an accounting firm.
Hypothesis-3_5:	'Insufficiency in information provided by engagement partner to firm on audit client' does not significantly influence satisfactory quality control framework in an accounting firm.
Hypothesis-3_6:	'Long association with audit client' does not significantly influence satisfactory quality control framework in an accounting firm.
Hypothesis-3_7:	'Mandatory checking of credibility of the client' does not significantly influence satisfactory quality control framework in an accounting firm.
Hypothesis-3_8:	'Maximum period of association of 7 years' does not significantly influence satisfactory quality control framework in an accounting firm.
Hypothesis-3_9:	'Formal training to each member of an audit team' does not significantly influence satisfactory quality control framework in an accounting firm.
Hypothesis-3_{10}:	'Involvement of another senior partner to review audit strategy of an engagement team' does not significantly influence satisfactory quality control framework in an accounting firm.
Hypothesis-3_{11}:	'Competence and integrity of the auditor's expert' does not significantly influence satisfactory quality control framework in an accounting firm.
Hypothesis-3_{12}:	'Constant monitoring internal quality control policies and their compliance by professional institute' does not

	significantly influence satisfactory quality control framework in an accounting firm.
Hypothesis-3₁₃:	'Lacuna in monitoring competence and ethical requirement of engagement team members' does not significantly influence satisfactory quality control framework in an accounting firm.
Hypothesis-3₁₄:	'Lesser appointments of Engagement Quality Control Reviewer (EQCR) by Indian firms' do not significantly influence satisfactory quality control framework in an accounting firm.
Hypothesis-3₁₅:	'Independence of EQCR' does not significantly influence satisfactory quality control framework in an accounting firm.
Hypothesis-3₁₆:	'System within firm for resolving difference of opinion between EQCR and engagement partner' does not significantly influence satisfactory quality control framework in an accounting firm.
Hypothesis-3₁₇:	'Documentation of EQCR findings' does not significantly influence satisfactory quality control framework in an accounting firm.
Hypothesis-3₁₈:	'Retention of EQCR findings for a sufficient period' does not significantly influence satisfactory quality control framework in an accounting firm.
Hypothesis-3₁₉:	'Resolving non-compliance by firm members within quality control framework' does not significantly influence satisfactory quality control framework in an accounting firm.

5. Research Methodology

With a view to analysing respondents' perceptions on quality control procedure for statutory financial audit, an exploratory and empirical research design was adopted. The study was made based on secondary as well as primary data. Secondary data from the study had been collected from several books, journal articles and legislations. Standard on Quality Control (SQC)-1 was an important source of secondary data for the current study. Theoretical underpinning of that standard was empirically analysed

on the basis of respondents' perceptions which was the primary data for the current study.

Respondents for the current study are practising Chartered Accountants (CAs) and Students pursuing Chartered Accountancy course. As CAs are continuously following the provisions of SQC-1 in their firm and practically know each and every provisions of this standard, selection of them as respondents for the study was justified. Truly speaking, CAs are continuously dealing with their clients and are responsible for complying with the provisions of SQC-1. Hence, they know exactly how far the provisions of SQC-1 are addressed in practical field. On the other hand, students who are in fact CA finalists with just one group left have totally captured the theoretical idea behind the quality control issues in statutory audit, and by virtue of their rigorous practical training undergone during their article traineeship they also know how those ideas are applied in actual engagements. Hence, considering them as one of the respondent categories along with CAs was justified. It highlights the extent of divergence between existing theoretical framework and practical situation. In order to select the respondents from these two respondent groups, Non-Probability Convenience Sampling Technique (Ho, Ong & Seonsu, 1997) was considered for selection of respondents. Since population sizes of individual respondent categories could not be determined, this sampling method was favoured for the current study. An initial sample 150 respondents under each respondent category had been selected.

Before starting the formal field survey for collection of data, a pilot survey was made with some reputed accounting firms in Kolkata with a draft questionnaire to have their opinion on quality control procedure of statutory audit. Final variables for the study were selected based on their opinions and suggestions on the issue in the form of final questionnaire. The final questionnaire for the current study was designed on Likert 5 Point scale [1: Strongly Disagree (SD); 2: Disagree (D); 3: Neutral (N); 4: Agree (A); and 5: Strongly Agree (SA)] (Kothari, 2010) where different points represented different degrees of agreement with a particular statement incorporated in the questionnaire. There were 20 statements representing 20 variables for the current study comprising one Dependent Variable (DV) and 19 Independent Variables (IVs) (*Refer to Section 5.1*).

Final questionnaire was administered in the city of Kolkata, India during the period of January 2017 to June 2017 on the initial sample of 300 respondents. However, at the

end of the study period, only 200 questionnaires complete in all respect were received out of which 100 responses were from CAs and 100 responses were from students. The data collected through field survey was incorporated in SPSS 20.0 and a few statistical tests were conducted to draw a meaningful conclusion. Percentage of respondents with different degrees of agreement was calculated to analyse the opinions of different respondent groups and the overall sample on individual variables. With a view to analysing divergence of opinions between CAs and Students, non-parametric Mann-Whitney (M-W) Test was made. Finally, the association between each IV and the DV was calculated using Pearson's Correlation Coefficient (r) and significance of such correlation was analysed using t test.

5.1 Selection of Variables

Variables for the current study were decided based on different provisions of SQC-1. Entire standard was thoroughly reviewed and important areas in the standard were identified. As a part of pilot survey of the study, select practising Chartered Accountants in Kolkata were consulted and questionnaire was modified. Accordingly, 19 important issues having considerable influence on satisfactory quality control procedure were selected. Hence, 'Satisfactory Quality Control Procedure for Statutory Audit of Financial Statements' was the Dependent Variable (DV) of our study influenced by 19 Variables depicted below were the Independent Variables (Saha & Roy, 2017).

Variable No.	Dependent Variables	Rationale for Selection (Based on Standard on Quality Control (SQC)-1 titled '*Quality Control for Firms that Perform Audit and Reviews of Historical Financial Information, and Other Assurance and Related Service Engagements*')
V₁	Satisfactory Quality Control Procedure for Statutory Audit of Financial Statements	An effective system of quality control ensures that the firm and its personnel comply with applicable professional standards

		and other regulatory and legal requirements and that reports issued by the firm or engagement are appropriate in circumstances.
	Independent Variables	**Rationale for Selection** Based on SQC-1 and Standard on Auditing (SA)–220 titled, *'Quality Control for an Audit of Financial Statements'*
V_2	Proper designing of quality control policies	SQC–1 and SA–220 are the governing regulation for quality control of audit procedures. SQC–1 set the standards for accounting firms and SA–220 monitors the activities of an engagement partner in ensuring quality control of audit procedures. Leadership responsibilities, relevant ethical requirements, acceptance and continuance of client relationships, engagement performance, monitoring are the issues for which quality control is made. A few critical issues on those areas are selected as the variables under this parameter. Hence, the entire questionnaire has been designed based on SQC-1 and SA-220 which are to be considered as supporting literature.
V_3	Integrity of all the partners in an accounting firm	
V_4	Education and training to new members in a firm	
V_5	Stringent policies on punishment on breach of quality	
V_6	Insufficiency in information provided by engagement partner to firm on audit client	
V_7	Long association with audit client	
V_8	Mandatory checking of credibility of the client	
V_9:	Maximum period of association of 7 years	

V$_{10}$:	Formal training to each member of an audit team
V$_{11}$:	Involvement of another senior partner to review audit strategy of an engagement team
V$_{12}$:	Competence and integrity of the auditor's expert
V$_{13}$:	Constant monitoring internal quality control policies and their compliance by professional institute
V$_{14}$:	Lacuna in monitoring competence and ethical requirement of engagement team members
V$_{15}$:	Lesser appointments of Engagement Quality Control Reviewer (EQCR) by Indian firms
V$_{16}$:	Independence of EQCR
V$_{17}$:	System within firm for resolving difference of opinion between EQCR and engagement partner
V$_{18}$:	Documentation of EQCR findings
V$_{19}$:	Retention of EQCR findings for a sufficient period

V$_{20}$:	Resolving non-compliance by firm members within quality control framework	

5.2 Demographic Profile of Respondents

Demographic profile of the respondents based on their gender, age and occupation is depicted in Table-1:

Table-1: Demographic Profile of Respondents

Demographic Profile Based on Gender					
Male	%	Female		%	
196	98	4		2	
Demographic Profile Based on Age					
Young (Age less than 30 years)	%	Middle Aged (Age between 30 and 50 years)	%	Experienced (Age more than 50 years)	%
109	54.5	47	23.5	44	22.0
Demographic Profile Based on Occupation					
CAs	%	Students		%	
100	50	100		50	

(Source: Compilation of Primary Data using SPSS 20.0)

Table-1 reveals that almost all the respondents in the current study were male, though it was not intentional. Most of the participants of this current research were young in age. A good participation of middle aged and experienced respondents was also observed. CAs in practice and students pursuing chartered accountancy course equally participated in the current study.

5.3 Reliability of Data

In order to measure internal consistency and reliability of data, Chronbach's alpha (Peterson, 1994) was used. Chronbach's alpha value was 0.594 which was slightly lower than the threshold limit of 0.6 (Chronbach, 1951). The data may be considered as reliable and internally consistent.

6. Results and Discussion

The questionnaire was designed on a Likert 5-point scale. In this scale, each of these five points represents five distinct degrees of agreement with the corresponding statement in the questionnaire. The levels are: Strong Agreement (SA); Agreement (A); Neural Opinion (N); Disagreement (D); and Strong Disagreement (SD). Respondents were asked to mark level of agreement with a particular statement from any one of these five levels. Following data collection, each level was assigned a score from 1 to 5 (SA: 5; A: 4; N: 3; D: 2; and SD: 1). The scores obtained for each statement for each observation are used to meet the stated empirical objectives of the study. The results obtained under three different objectives of the study are discussed as under.

6.1 Addressing Objective-1: Analysing the opinion of CAs and Students on each variable under the study using Percentage of Respondents

With a view to analysing the perceptions of the CAs, the students and the total number of respondents on select statements, the study referred to the scoring pattern of the respondents for each variable. Number as well as percentage (%) of observations under the five levels of agreement for a particular statement actually represents the opinions of individual respondent groups and the entire sample on that statement. In fact, the level with highest proportion of respondents for a statement will ultimately convey the opinion of the group or the entire sample on that statement. Using SPSS 20.0, perceptions of CAs and students on each statement (represented by independent variables) were ascertained in Table-2.

Table-2: Percentage of Respondents in Different Agreement Levels

Variable No.	Variables	Category	SD	D	N	A	SA
V_2	Proper designing of quality control policies	CAs	1.0%	14.0%	7.0%	69.0%	9.0%
		Students	5.0%	26.0%	20.0%	42.0%	7.0%
		Total	3.0%	20.0%	13.5%	55.5%	8.0%
V_3	Integrity of all the partners	CAs	0.0	1.0	0.0	50.0	49.0

			%	%	%	%	%
	in an accounting firm	Students	2.0 %	2.0 %	2.0 %	29.0 %	65.0 %
		Total	1.0 %	1.5 %	1.0 %	39.5 %	57.0 %
V_4	Education and training to new members in a firm	CAs	0.0 %	17.0 %	12.0 %	60.0 %	11.0 %
		Students	13.0%	34.0 %	22.0 %	27.0 %	4.0 %
		Total	6.5 %	25.5 %	17.0 %	43.5 %	7.5 %
V_5	Stringent policies on punishment on breach of quality	CAs	0.0 %	8.0 %	19.0 %	45.0 %	28.0 %
		Students	1.0 %	12.0 %	15.0 %	38.0 %	34.0 %
		Total	0.5 %	10.0 %	17.0 %	41.5 %	31.0 %
V_6	Insufficiency in information provided by engagement partner to firm on audit client	CAs	2.0 %	17.0 %	14.0 %	57.0 %	10.0 %
		Students	2.0 %	13.0 %	19.0 %	55.0 %	11.0 %
		Total	2.0 %	15.0 %	16.5 %	56.0 %	10.5 %
V_7	Long association with audit client	CAs	11.0 %	38.0 %	11.0 %	29.0 %	11.0 %
		Students	1.0 %	25.0 %	9.0%	26.0 %	39.0 %
		Total	6.0 %	31.5 %	10.0 %	27.5 %	25.0 %
V_8	Mandatory checking of credibility of the client	CAs	0.00 %	5.0%	9.0%	67.0 %	19.0 %
		Students	0.00	5.0%	9.0%	50.0	36.0

			%			%	%
		Total	0.00 %	5.0%	9.0%	58.5 %	27.5 %
V₉	Maximum period of association of 7 years	CAs	8.0 %	37.0 %	19.0 %	25.0 %	11.0 %
		Students	4.0 %	22.0 %	17.0 %	30.0 %	27.0 %
		Total	6.0 %	29.5 %	18.0 %	27.5 %	19.0 %
V₁₀	Formal training to each member of an audit team	CAs	0.00 %	5.0%	1.0%	67.0 %	27.0 %
		Students	0.00 %	2.0%	5.0%	48.0 %	45.0 %
		Total	0.00 %	3.5%	3.0%	57.5 %	36.0 %
V₁₁	Involvement of another senior partner to review audit strategy of an engagement team	CAs	0.0 %	3.0%	3.0%	60.0 %	34.0 %
		Students	2.0 %	0.0%	8.0%	49.0 %	41.0 %
		Total	1.0 %	1.5%	5.5%	54.5 %	37.5 %
V₁₂	Competence and integrity of the auditor's expert	CAs	0.00 %	2.0%	4.0%	66.0 %	28.0 %
		Students	0.00 %	4.0%	7.0%	47.0 %	42.0 %
		Total	0.00 %	3.0%	5.5%	56.5 %	35.0 %
V₁₃	Constant monitoring internal quality control policies and their compliance by professional institute	CAs	0.00 %	18.0 %	9.0%	60.0 %	13.0 %
		Students	0.00 %	8.0%	13.0 %	40.0 %	39.0 %
		Total	0.00	13.0	11.0	50.0	26.0

			%	%	%	%	%
V_{14}	Lacuna in monitoring competence and ethical requirement of engagement team members	*CAs*	3.0 %	26.0 %	18.0 %	49.0 %	4.0%
		Students	4.0 %	10.0 %	14.0 %	49.0 %	23.0 %
		Total	3.5 %	18.0 %	16.0 %	49.0 %	13.5 %
V_{15}	Lesser appointments of Engagement Quality Control Reviewer (EQCR) by Indian firms	*CAs*	1.0 %	5.0%	20.0 %	69.0 %	5.0%
		Students	0.0 %	10.0 %	29.0 %	38.0 %	23.0 %
		Total	0.5 %	7.5%	24.5 %	53.5 %	14.0 %
V_{16}	Independence of EQCR	*CAs*	0.0 %	4.0%	16.0 %	73.0 %	7.0%
		Students	1.0 %	2.0%	8.0%	67.0 %	22.0 %
		Total	0.5 %	3.0%	12.0 %	70.0 %	14.5 %
V_{17}	System within firm for resolving difference of opinion between EQCR and engagement partner	*CAs*	0.0 %	6.0%	27.0 %	63.0 %	4.0%
		Students	5.0 %	21.0 %	36.0 %	35.0 %	3.0%
		Total	2.5 %	13.5 %	31.5 %	49.0 %	3.5%
V_{18}	Documentation of EQCR findings	*CAs*	0.0 %	0.0%	9.0%	74.0 %	17.0 %
		Students	1.0 %	3.0%	11.0 %	46.0 %	39.0 %
		Total	0.5 %	1.5%	10.0 %	60.0 %	28.0 %
V_{19}	Retention of EQCR	*CAs*	0.0	18.0	7.0%	66.0	9.0%

			%	%		%	
		Students	1.0 %	10.0 %	7.0%	39.0 %	43.0 %
		Total	0.5 %	14.0 %	7.0%	52.5 %	26.0 %
V$_{20}$	Resolving non-compliance by firm members within quality control framework	*CAs*	0.0 %	9.0%	2.0%	80.0 %	9.0%
		Students	3.0 %	3.0%	9.0%	55.0 %	30.0 %
		Total	1.5 %	6.0%	5.5%	67.5 %	19.5 %

(Source: Compilation of Primary Data using SPSS 20.0)

Inferences

Hypothesis No.	Hypothesis	Inferences
Hypothesis-1$_1$:	Quality control policies are properly designed by CEOs of most of the accounting firms in India	A bulk proportion of CAs (69.0%) and students (42.0%) decided that quality control policies were properly designed in Indian firms.
Hypothesis-1$_2$:	All the partners and employees of the firm have required integrity, objectivity and competence for ethical completion of audit procedure.	50% of the CAs were of the belief that the partners and employees of a firm possessed required integrity and competence in ethical completion of audit procedure, while 65% of the students strongly believed this fact.
Hypothesis-1$_3$:	Most of the accounting firms in India provide education and training to new members of the firm to make them conversant with the quality control	A mass proportion of CAs (60.0%) thought that most of the firms provided education and training to a new member.

	procedure.	However, 34% of the students did not seem to think so. In summary, majority (43.5%) of the entire sample agreed to this.
Hypothesis-1_4:	Every accounting firm has established stringent policies of punishment if quality control policies are not performed by member of the firm.	A greater part of CAs (45.0%) and students (38.0%) considered most of the firms to have established stringent policies of punishment for breach of quality control policies.
Hypothesis-1_5:	Information provided by the engagement partner on client profile is not sufficient for the firm to understand threats to independence after accepting audit engagement.	The best part of both the occupational groups (57% of CAs and 55% of students) sensed insufficiency in information provided by the engagement partner to the accounting firm.
Hypothesis-1_6:	Long auditor relationship with the audit client reduces audit quality.	Mainstream CAs (38.0%) did not concur that long association with client impair audit quality. However, 39% of the students strongly accorded to this issue.
Hypothesis-1_7:	Credibility and integrity of the client are mandatorily checked by the audit firm before accepting engagement as per the requirements of SQC-1.	The popular belief among both the respondent categories (67% of CAs and 50% of students) was that the accounting firms always checked credibility of their client before accepting an engagement.
Hypothesis-	Engagement partners can be	SQC-1 promulgated maximum

1$_8$:	associated with an audit client for maximum 7 years.	seven years of continuous engagement with the same client. A significant proportion of CAs (37.0%) shared a common belief where seven years is a reasonable period of association. However, as per Companies Act, 2013, the maximum period had been reduced to 5 years.
Hypothesis-1$_9$:	Members of the engagement team are formally trained and competent to take up audit responsibilities.	Bulk proportion of both the respondent categories (67% of CAs and 48% of students) held that members of an audit team were given need-based formal training by the firm.
Hypothesis-1$_{10}$:	Involvement of another senior partner of the accounting firm in the engagement team to review overall audit strategy enhances the quality of audit	The idea of involvement of a senior partner of the firm in reviewing the audit strategy of an engagement team was accepted by most of the CAs (60%) and students (49%).
Hypothesis-1$_{11}$:	Competence and integrity of the auditor's expert is satisfactory.	A noteworthy segment of both the groups (66% of CAs and 47% of students) decided that competence and integrity of auditor's expert in an engagement team in Indian firms were adequate.
Hypothesis-1$_{12}$:	The internal quality control system and their actual compliance of the accounting firm are constantly monitored by the Council of the	A good number of CAs (60.0%) and students (40.0%) settled on the fact that professional institutes

	ICAI.	constantly monitored the quality control policies of the firms.
Hypothesis-1₁₃:	In most of the audit firms, competence and ethical requirement of the engagement team members are not thoroughly investigated.	A broad fraction of CAs (49.0%) and students (49.0%) also thought that competence and independence of engagement team members in most of the firms were not methodically examined.
Hypothesis-1₁₄:	Few accounting firms in India appoint Engagement Quality Control Reviewer (EQCR).	CAs (69%) and students (38%) together were aware that a few accounting firms in India engaged EQCR which was way below the necessary level.
Hypothesis-1₁₅:	The independence of the EQCR is thoroughly checked by the accounting firm before appointment.	CAs (73%) and students (67%) mutually agreed that firms thoroughly checked independence of EQCR before engaging them.
Hypothesis-1₁₆:	Appointing firms have a proper system of resolving difference of opinion between EQCR and Engagement Partner.	The majority of CAs (63%) believed that the accounting firms had an arrangement for resolving the disparity of views between the EQCR and the engagement partner, while a greater part of students (36.0%) had revealed a neutral outlook.
Hypothesis-1₁₇:	The findings of engagement quality control review are properly documented.	CAs (74%) and students (46%) mutually agreed on the fact that EQCR findings were properly documented.

Hypothesis-1₁₈:	Engagement documentation kept for at least 10 years as per SQC1 is sufficient to accounting firm.	The largest part of the CAs (66.0%) decided that retention of engagement documentation for 10 years was sufficient for the firm, to which a greater proportion of students (43.0%) had shown strong agreement.
Hypothesis-1₁₉:	Any allegation received against any member or employees of non-compliance with professional or ethical standard is resolved within the quality control framework of the firm.	A good number of the CAs (80%) and students (55%) had the same opinion that a firm resolved an allegation of non-compliance with professional and ethical standard within its quality control framework.

6.2 Addressing Objective-2: Studying the significant difference of opinion between CAs and Students on select issues governing quality control procedure for statutory financial audit using Non-Parametric Mann-Whitney Test

With a view to comparing statistical difference between two independent groups with respect to non-normal dependent variable, Mann-Whitney (M-W) test is conducted. If groups are significantly different, then the basis based on which the groups are made has significant impact on the dependent variable. In the present study, the respondents were grouped in two categories (CAs and students) based on their occupation. If significant difference existed between CAs and students for a particular variable, it might be inferred that occupation of respondents significantly influenced their opinion on that variable.

Assumptions for the test

(a) *The dependent variable should be measured at ordinal level*

Likert 5-point scale is an ordinary scale on which the questionnaire was made. Hence, the dependent variables were measured at ordinal levels.

(b) *Independent variable should consist of two categorical independent groups*

Occupations of the respondents that involved two categorical groups (CAs and students) were the independent variable. Hence, independent variables were categorical in nature.

(c) *Observations in one group must be independent from observations from another group*

Since the field survey for CAs and students were made separately, observations of the CAs were not influenced by that of the students or vice versa. Hence, observations of each group were independent from one another.

(d) *The independent groups should not be normally distributed*

Hypothesis-I

Null Hypothesis (H_0): The dependent variable follows normal distribution across independent groups;

Alternate Hypothesis (H_1): The dependent variable does not follow normal distribution across independent groups.

⟹ Kolmogorov-Smirnov (K-S) test was made with a view to testing Hypothesis-I for all 19 variables across two independent groups at 'n' (sample size of each group) degrees of freedom (df) and 5% level of significance.

⟹ If p-value of statistic was less than 0.05 at 100 df, H_0 was not to be accepted that renders the distribution of dependent variable across independent groups as non-normal distribution.

H_0 could not be accepted for any one of the select variables across the independent groups rendering the distribution of all 19 variables as non-normal *(Refer to Table 1, Appendix)*. Hence, they followed non-normal distribution.

All the four assumptions for conducting M-W test were fulfilled. Hence, with a view to analysing the significant difference between the perceptions of CAs and students on select 19 variables (*based on theoretical hypothesis in Section 4.2*), M-W test was conducted on the current sample based on the following hypothesis:

Hypothesis-II

H_0: There is no significant difference of opinions between CAs and Students for select issues governing quality control procedures for statutory financial audit;

H_1: Significant difference of opinions exists between CAs and Students.

To begin with, ranks were assigned to each individual observation for a particular variable. Test statistics (U) is the summation of ranks from each sample that follows normal distribution for a larger sample. Standardised value of the test statistics was computed. If the probability of obtaining the standardised value of the test statistics in normal distribution table is less that 0.05 at 5% level of significance and K-1 (K is the number of independent groups, i.e. 2) degrees of freedom, H_0 cannot be accepted. If H_0 is not accepted for a particular variable, it may be inferred that significant difference exists in the observations of CAs and students with respect to that variable.

Results of M-W test for all 19 variables are projected in Table-3.

Table-3: Result of Mann-Whitney Test

Variable No.	Variable	Mann-Whitney U	Z	p-Value	Decision Rule	Decision on H_0
V_2	Proper designing of quality control policies	3622	-3.723	0.000	p-Value<0.05	Rejected
V_3	**Integrity of all the partners in an accounting firm**	**4335.5**	**-1.871**	**0.061**	**p-Value>0.05**	**Accepted**
V_4	Education and training to new members in a firm	2766	-5.768	0.000	p-Value<0.05	Rejected
V_5	**Stringent policies on punishment on breach of quality**	**4884.5**	**-0.299**	**0.765**	**p-Value>0.05**	**Accepted**
V_6	**Insufficiency in information provided by engagement partner to firm on audit client**	4940	-0.162	0.871	**p-Value>0.05**	**Accepted**
V_7	Long association with audit client	3131.5	-4.731	0.000	p-Value<0.05	Rejected
V_8	Mandatory checking of credibility of the client	4269	-2.025	0.043	P-Value<0.05	Rejected

V₉	Maximum period of association of 7 years	3628	-3.456	0.001	P-Value<0.05	Rejected
V₁₀	Formal training to each member of an audit team	4179	-2.296	0.022	P-Value<0.05	Rejected
V₁₁	**Involvement of another senior partner to review audit strategy of an engagement team**	**4797**	**-0.56**	**0.576**	**p-Value>0.05**	**Accepted**
V₁₂	**Competence and integrity of the auditor's expert**	**4523**	**-1.323**	**0.186**	**p-Value>0.05**	**Accepted**
V₁₃	Constant monitoring internal quality control policies and their compliance by professional institute	3709	-3.414	0.001	p-Value<0.05	Rejected
V₁₄	Lacuna in monitoring competence and ethical requirement of engagement team members	3544.5	-3.813	0.000	p-Value<0.05	Rejected
V₁₅	**Lesser appointments of Engagement Quality Control Reviewer (EQCR) by Indian firms**	4959.5	-0.109	0.913	**p-Value>0.05**	**Accepted**
V₁₆	Independence of EQCR	3991.5	-3.051	0.002	p-Value<0.05	Rejected
V₁₇	System within firm for resolving difference of opinion between EQCR and engagement partner	3316.5	-4.465	0.000	p-Value<0.05	Rejected
V₁₈	Documentation of	4266	-2.056	0.040	p-Value<0.05	Rejected

	EQCR findings					
V_{19}	Retention of EQCR findings for a sufficient period	3391	-4.303	0.000	p-Value<0.05	Rejected
V_{20}	Resolving non-compliance by firm members within quality control framework	4226.5	-2.284	0.022	p-Value<0.05	Rejected

(Source: Compilation of Primary Data using SPSS 20.0)

Inferences

Practising CAs have gathered professional experience in the course of their professional practice. Though students pursuing Chartered Accountancy (Final) course are supposed to serve as article clerks in an accounting firm as a part of their course curricular, they are mostly oriented to the theoretical mandates of the standard with respect to quality control procedures for statutory audit in an accounting firm. Hence, a significant difference in the perceptions of CAs and students can mainly be due to the practical exposures that practising CAs have but students do not. If for a particular variable, H_0 cannot be accepted, professional experience of the respondents has significant influence on their opinion for that variable.

The variables for which H_0 was accepted were, *'Integrity of all the partners in an accounting firm' (V_3), 'Stringent policies on punishment on breach of quality' (V_5), 'Insufficiency in information provided by engagement partner to firm on audit client' (V_6), 'Involvement of another senior partner to review audit strategy of an engagement team' (V_{11}), 'Competence and integrity of the auditor's expert' (V_{12}) and 'Lesser appointments of Engagement Quality Control Reviewer (EQCR) by Indian firms' (V_{15}).* Therefore, a significant difference does not exist between the perceptions of CAs and students for these variables. Hypothesis-2_2, Hypothesis-2_4, Hypothesis-2_5, Hypothesis-2_{10} Hypothesis-2_{11} and Hypothesis-2_{14} (*Refer to Section 4.2*) are accepted hypotheses. Hence, practical situation (reflected through the opinions of CAs) corresponds to the normative theories (reflected through the opinions of students) for the aforesaid variables. However, for rest of the variables, CAs and students differed significantly indicating a divergence between practical situation (views of CAs) and academic orientation (views of students). Hence, for these variables, professional experience significantly influenced opinions of the respondents.

6.3 Addressing Objective-3: Identifying the variables significantly influencing quality control procedure using Pearson's Correlation Coefficient and t test

All the quality control policies adopted by an accounting firm may not be significant in controlling quality of an engagement. Out of 19 independent variables considered in the present study, an attempt has been made to identify the significant ones. Association between 'Satisfactory Quality Control Procedure for Statutory Audit of Financial Statements' (V_1) (Dependent Variable) and each independent variable was examined with the help of Pearson Correlation Coefficient (r). The DV is considered to be strongly associated with a particular IV if the calculated value of 'r' for the current sample is greater than 0.5. However, the result may differ for the population. For that reason, statistical significance of 'r' is required to be tested (based on the theoretical hypotheses drawn in Section 4.3).

In the present study, statistical significance of 'r' was tested based on the following hypothesis:

Hypothesis-III

  H_0: Select independent variables do not have any significant association with the dependent variable of the current study;

  H_1: Select independent variables have significant association with the dependent variable of the current study

Hypothesis-III was tested using t-test. At 5% level of significance and 'n-1' degrees of freedom, if probability of obtaining t-test statistics in t-distribution table is less than 0.05, H_0 cannot be accepted and vice versa. The value of 'r' for each variable and their statistical significance is as follows (Refer to Table 4).

Table-4: Pearson's Correlation Coefficient and Result of t test

Variable No.	Variable	r	p-Value	Decision Rule	Decision on H_0
V_2	Proper designing of quality control policies	-0.023	0.746	p-Value>0.05	Accepted
V_3	Integrity of all the partners in an accounting firm	0.026	0.711	p-Value>0.05	Accepted
V_4	Education and training to new members in a firm	-0.057	0.421	p-Value>0.05	Accepted
V_5	Stringent policies on	-0.051	0.474	p-Value>0.05	Accepted

	punishment on breach of quality				
V$_6$	**Insufficiency in information provided by engagement partner to firm on audit client**	**0.159**	**0.025**	**p-Value<0.05**	**Rejected**
V$_7$	**Long association with audit client**	**0.223**	**0.001**	**p-Value<0.05**	**Rejected**
V$_8$	Mandatory checking of credibility of the client	0.020	0.780	p-Value>0.05	Accepted
V$_9$	Maximum period of association of 7 years	0.120	0.090	p-Value>0.05	Accepted
V$_{10}$	**Formal training to each member of an audit team**	**-0.151**	**0.033**	**p-Value<0.05**	**Rejected**
V$_{11}$	Involvement of another senior partner to review audit strategy of an engagement team	-0.124	0.081	p-Value>0.05	Accepted
V$_{12}$	Competence and integrity of the auditor's expert	-0.075	0.288	p-Value>0.05	Accepted
V$_{13}$	Constant monitoring internal quality control policies and their compliance by professional institute	0.048	0.501	p-Value>0.05	Accepted
V$_{14}$	**Lacuna in monitoring competence and ethical requirement of engagement team members**	**0.182**	**0.010**	**p-Value<0.05**	**Rejected**
V$_{15}$	Lesser appointments of Engagement Quality	0.095	0.181	p-Value>0.05	Accepted

	Control Reviewer (EQCR) by Indian firms				
V_{16}	Independence of EQCR	0.022	0.754	p-Value>0.05	Accepted
V_{17}	**System within firm for resolving difference of opinion between EQCR and engagement partner**	**0.158**	**0.025**	**p-Value<0.05**	**Rejected**
V_{18}	Documentation of EQCR findings	0.107	0.131	p-Value>0.05	Accepted
V_{19}	Retention of EQCR findings for a sufficient period	0.012	0.861	p-Value>0.05	Accepted
V_{20}	Resolving non-compliance by firm members within quality control framework	0.041	0.564	p-Value>0.05	Accepted

(Source: Compilation of Primary Data using SPSS 20.0)

Inferences

The value of 'r' suggested that 13 out of 19 variables have possible association with the DV. Significance (p-value) of t-test also showed that H_0 could not be accepted for, *'Insufficiency in information provided by engagement partner to firm on audit client' (V_6), 'Long association with audit client' (V_7), 'Formal training to each member of an audit team' (V_{10}), and 'Lacuna in monitoring competence and ethical requirement of engagement team members' (V_{14}), 'System within firm for resolving difference of opinion between EQCR and engagement partner' (V_{17}).* Hence, Hypothesis-3_5, Hypothesis-3_6, Hypothesis-3_9, Hypothesis-3_{13}, and Hypothesis-3_{16} (*Refer to Section 4.3*) was not accepted and the aforesaid variables had significant association with '*Satisfactory Quality Control Procedure for Statutory Financial Audit'.*

7. Managerial Implications

The managerial implications of the study based on study findings are the following:

(i)   Client information are required to be collected by accounting firms in a much detailed fashion;

(ii)   Engagement of sufficient number of EQCRs is to be ensured;

(iii)   Measures should be taken to ensure independence of EQCR;

(iv)   Engagement quality control review findings are required to be documented properly;

(v)   Engagement partner and EQCR should resolve any sort of differences of opinion within the quality control framework of the firm;

(vi)   Ability and independence of every engagement teams including auditor's expert should be properly monitored;

(vii)   Quality control procedures for statutory financial audit of a firm should be evaluated and amended infrequently.

8. Conclusions

The present paper is unique in analysing the practicality of SQC-1 in governing quality control policies and procedures for statutory financial audit in Indian accounting firms. A field survey was made on a sample of 100 CAs and 100 students and according to them quality control procedures were appropriately implemented in Indian firms and any violation was rigorously addressed. Results of M-W test indicated a significant difference of opinion between CAs and students for most of the parameters of quality control. While students tried to present the normative image with respect to quality control procedures of statutory audit in an accounting firm, CAs tactfully presented their views observing the interests of their clients. However, both the groups agreed on the facts that the firms did not always obtain adequate information about the client before accepting an engagement and majority of the firms were not appointing the EQCR to the extent required. Both the groups also believed in ability and independence of the engagement partners, other engagement team members including auditor's expert in implementing satisfactory quality control procedures. Results of t-test indicated that the firm should provide adequate emphasis on certain issues, like insufficiency of client information while accepting an engagement; long association with the client; education and training for a new members in a firm; resolving difference of opinion between engagement partner and EQCR, etc. since they could considerably influence satisfactory quality control procedures for statutory audit in an accounting firm.

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Appendix

Table 1: Results of Kolmogorov-Smirnov Test

Variables	Category	Statistic	p-Value	Decision rule	Decision
Proper designing of quality control policies	CA	0.413	0.000	p-Value<0.05	H_0 rejected
	Student	0.264	0.000	p-Value<0.05	H_0 rejected
Integrity of all the partners in an accounting firm	CA	0.319	0.000	p-Value<0.05	H_0 rejected
	Student	0.369	0.000	p-Value<0.05	H_0 rejected

Education and training to new members in a firm	CA	0.363	0.000	p-Value<0.05	H$_0$ rejected
	Student	0.220	0.000	p-Value<0.05	H$_0$ rejected
Stringent policies on punishment on breach of quality	CA	0.261	0.000	p-Value<0.05	H$_0$ rejected
	Student	0.251	0.000	p-Value<0.05	H$_0$ rejected
Insufficiency in information provided by engagement partner to firm on audit client	CA	0.347	0.000	p-Value<0.05	H$_0$ rejected
	Student	0.328	0.000	p-Value<0.05	H$_0$ rejected
Long association with audit client	CA	0.257	0.000	p-Value<0.05	H$_0$ rejected
	Student	0.230	0.000	p-Value<0.05	H$_0$ rejected
Mandatory checking of credibility of the client	CA	0.360	0.000	p-Value<0.05	H$_0$ rejected
	Student	0.275	0.000	p-Value<0.05	H$_0$ rejected
Maximum period of association of 7 years	CA	0.237	0.000	p-Value<0.05	H$_0$ rejected
	Student	0.217	0.000	p-Value<0.05	H$_0$ rejected
Formal training to each member of an audit team	CA	0.347	0.000	p-Value<0.05	H$_0$ rejected
	Student	0.279	0.000	p-Value<0.05	H$_0$ rejected
Involvement of another senior partner to review audit strategy of an engagement team	CA	0.308	0.000	p-Value<0.05	H$_0$ rejected
	Student	0.264	0.000	p-Value<0.05	H$_0$ rejected

Competence and integrity of the auditor's expert	CA	0.350	0.000	p-Value<0.05	H_0 rejected
	Student	0.252	0.000	p-Value<0.05	H_0 rejected
Constant monitoring internal quality control policies and their compliance by professional institute	CA	0.366	0.000	p-Value<0.05	H_0 rejected
	Student	0.247	0.000	p-Value<0.05	H_0 rejected
Lacuna in monitoring competence and ethical requirement of engagement team members	CA	0.306	0.000	p-Value<0.05	H_0 rejected
	Student	0.307	0.000	p-Value<0.05	H_0 rejected
Lesser appointments of Engagement Quality Control Reviewer (EQCR) by Indian firms	CA	0.399	0.000	p-Value<0.05	H_0 rejected
	Student	0.220	0.000	p-Value<0.05	H_0 rejected
Independence of EQCR	CA	0.411	0.000	p-Value<0.05	H_0 rejected
	Student	0.349	0.000	p-Value<0.05	H_0 rejected
System within firm for resolving difference of opinion between EQCR and engagement partner	CA	0.373	0.000	p-Value<0.05	H_0 rejected
	Student	0.211	0.000	p-Value<0.05	H_0 rejected
Documentation of EQCR findings	CA	0.393	0.000	p-Value<0.05	H_0 rejected
	Student	0.259	0.000	p-Value<0.05	H_0 rejected
Retention of EQCR findings for a sufficient	CA	0.401	0.000	p-Value<0.05	H_0 rejected

period	Student	0.268	0.000	p-Value<0.05	H_0 rejected
Resolving non-compliance by firm members within quality control framework	CA	0.454	0.000	p-Value<0.05	H_0 rejected
	Student	0.323	0.000	p-Value<0.05	H_0 rejected