

# **An Insight into Independent Engagement of Statutory Auditors: Perceptions of the Accounting Profession**

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## **Abstract**

*In this fast growing corporate environment, protection of interest of the stakeholders of corporate enterprises gets high priority. Statutory auditors are one of the instruments to the protection of stakeholders' interest. But often their impaired independence or negligence leads to disastrous consequences to stakeholders and economy as whole. As protective measures, Indian regulators are taking phenomenal steps to ensure statutory auditors' independence. Introduction of recent Companies Act, 2013 is one of them. However, there are certain issues that keep on influencing statutory auditors' overall independence. The study investigates into the opinions of practising Chartered Accountants and Students pursuing Chartered Accountancy course on select such issues. It was observed the CAs and Students, both have considered long association with audit client, punitive measures for professional misconduct and ethical orientation as important issues governing statutory auditors' independence. Keeping in view opinions of respondents, the study proposes a few suggestions to make the current regulatory framework for statutory audit more strict and enforcing.*

**Keywords:** *Statutory Audit; Stakeholder; Mann-Whitney Test.*

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## **Introduction**

Statutory auditors play a fiduciary role in modern corporate environment. They are responsible for protecting the interest of shareholders, their appointing authority (Gupta, 2005). Truly speaking, statutory auditors get their power and recognition from the entire society. Therefore, they must accept their duty to the society at large and not just to a single client. Naturally, independence from the client is the guiding principle for auditing profession. It has always been an important concern for the stakeholders of a corporate enterprise. That is why, the issue of independence has been given due importance in the code of ethics issued by almost all professional institutes of the world (Bakshi, 2004). Occasionally statutory auditors have been accused of pursuing their self interest disregarding their noble goal. Especially in the era of financial crimes, serious questions were raised against competence and credibility of the reputed statutory auditors, such as Arthur Anderson LLP, Price Waterhouse Coopers, Ernst & Young, KPMG, Deloitte, etc. Resultant financial debacles in companies like Polly Peck International (United Kingdom, 1990), Enron Corporation (United States of America, 2001), Parmalat SpA (Italy, 2002), Royal Ahold N.V. (Netherlands, 2002), Satyam Computer Services Ltd. (India, 2009), etc. inevitably weaken public confidence in auditing profession (Copeland, 2005). It calls for the need to look into adequacy and enforceability of regulatory framework in place to ensure independent audit engagement.

Statutory auditors' independent engagement in the era of financial crimes has always received attention from the researchers around the globe. Bakshi (2004) had taken an attempt to identify the economic and ethical implications of statutory auditors' independence. Applicable regulations were discussed with special reference to the Enron case. It was observed that statutory auditors faced ethical dilemma in an audit engagement. Some measures to tackle those dilemmas were proposed. Freier (2004) reviewed change in auditing profession since 1950 to identify the major issues governing statutory auditors' independence. According to her, non-attest services were one of the important reason of their impaired independence. Additionally lax regulatory framework, nexus with management also posed significant threats to their independence. Mukherjee (2000) critically reviewed select case studies on audit failure with special reference to the appointment procedure of statutory auditors and role of regulatory and accounting bodies. The study proposed change in appointment procedure for statutory auditors and implementation of new accounting and ethical standards for professional accountants. Roy (2008) highlighted an issue which is comparatively new in India, Forensic Audit. Growth of forensic audit was discussed and its comparison was made with ordinary financial audit. The study showed that while financial audit only catered to numbers, forensic audit went one step further and diagnosed the reasons behind financial misrepresentations by the companies. As the concept was becoming popular, every accounting firm had opened a unit dedicated for this purpose. Hodge (2003) analysed the perceptions of investors on earnings quality, reliance on financial statements for making investment decision and auditors' independence. The result showed that these three issues significantly impaired auditors' independence over time.

At this juncture, it is observed that both conceptual as well empirical papers have been written on the issue of statutory auditors' independent engagement. Some of the studies have also taken an attempt to critically review a few corporate accounting scandal cases with special reference to statutory auditors' professional responsibilities. Factors governing statutory auditors' independent engagement have been identified and a relationship between statutory auditors' independence and earnings quality has been established based on perceptions of investors. However, there are still dearth empirical studies in this field. Perception based works are also noticeably insignificant. There are studies based on perception of professional accountants. But opinions of students pursuing professional accounting courses alongside the perceptions of professional accountants have not been seen in recent studies. None of the studies considered so far have ventured into analysing the differences of opinions between professional accountants and students.

This study is an attempt to empirically analyse significant differences in the opinions of practising Chartered Accountants and Students pursuing Chartered Accountancy Course on select issues governing statutory auditors' independent engagement.

### **Data and Methodology**

With a view to pursuing this empirical study, an exploratory research design has been adopted. The study is based on secondary as well primary data. At the outset, a conceptual

idea on statutory auditors' independent engagement was formed based on relevant books, journal articles, newspaper articles, legislations and reports. A significant portion of secondary data is collected from a few reputed libraries in Kolkata, such as The Central Library (University of Calcutta), The Central Library (St. Xavier's College), American Council Library, B.C. Roy Memorial Library (Indian Institute of Management, Kolkata). Based on an in-depth study into the relevant issues and consultation with a few practising CAs, 14 variables have been selected that may have certain influence on statutory auditors' independent engagement. While selecting these variables, some important legal case decisions in India especially of Supreme Court of India involving statutory auditors' duties and responsibilities in a company have been studied. These case decisions have direct impact on the interpretation of various laws, rules and regulations governing statutory auditors' independence. Implication of these legal cases towards statutory auditors' independence has been incorporated as a rationale for selecting variables for this current study.

**V<sub>1</sub>: Lack of Enforceability of Regulatory Framework**

If regulatory framework governing statutory auditors is not properly enforced, their independence is not protected. In recent cases, relating to statutory audit failure, it was observed that statutory auditor did not comply with applicable Standards on Auditing (SAs) while performing audit engagements [Refer to Price Waterhouse & Co. vs. Securities and Exchange Board of India, 2010]. There was also contravention of Chartered Accountants Act, 1949 [Refer to Council of Institute of Chartered Accountants of India vs. Praveen Kumar Katyal, 2011] and Code of Ethics [Refer to Yogeshwari Kumari vs. Institute of Chartered Accountants of India, 2010]. All these cases certainly raise our concern on appropriate enforcement of existing regulation.

**V<sub>2</sub>: Managerial control on Appointment Procedure**

If management of the audit client controls appointment of statutory auditors, they could easily be intimidated to give opinion in management's favour. At Satyam, there was deficiency in control structure [Refer to Subramani Gopalakrishnan vs. Institute of Chartered Accountants of India, 2011]. It allowed management to control appointment procedure.

**V<sub>3</sub>: Long Association with Audit Client**

Long association between statutory auditor and client creates a nexus between them. In recent cases, statutory auditors were associated with their client for a long period. In Subramani Gopalakrishnan vs. Institute of Chartered Accountants of India (2011), the auditors' was associated with the company for a period of 7 years. Now, as per the recent Companies Act, 2013 which states that individual auditors are not allowed to be associated with client for a period beyond 5 years, it was a clear contravention of existing regulation.

**V<sub>4</sub>: Limit to Total Remuneration**

High remuneration makes a statutory auditor financially dependent on the management. A limit to such economic dependence is therefore needed. In legal case, Gurugobinda Basu vs. Sankari Prasad Ghosal (1963), auditors received remuneration from two companies which were at conflicts of interest between themselves. It was a contravention of Companies Act, 1956. In Subramani Gopalakrishnan vs. Institute of Chartered Accountants of India (2011), statutory auditors received exorbitant fees for audit and non-audit services. In legal case, Shri Mahendra Kumar Mahajan vs. Institute of Chartered Accountants of India (2012), auditors received fees both as auditors and members of management. All these real life case examples

prompt us to propose a maximum limit to the total remuneration that can be paid to an auditor.

**V<sub>5</sub>: Relationship with Management**

Close relationship with management members often influence an auditor to issue a clean report without undertaking proper audit procedure. There are several instances where auditors were closely related with members of the client company. In legal case, Shri Mahendra Kumr Mahajan vs. Institute of Chartered Accountants of India (2012), the partner of the accounting firm was also in the managing board of the client. In legal case, Yogeshwari Kumari vs. Institute of Chartered Accountants of India (2010), the auditor was also the director of the company. It was a contravention of Code of Ethics.

**V<sub>6</sub>: Rendering Non-Audit Services**

Certain non-audit services by statutory auditors sometimes influence independent review process. In several recent cases, it was observed that auditors provided consultancy services to the company contravening the code of ethics [Refer to Institute of Chartered Accountants of India vs. L.K. Ratna & Others (1986)]. In some other legal cases, statutory auditors provided certain services without taking permission from the professional institute which held them responsible of contravening Chartered Accountants Act, 1949 [Refer to Council of Institute of Chartered Accountants of India vs. Shri S.N. Sachdeva (2011)].

**V<sub>7</sub>: Stringent Punitive Measures**

Strong disciplinary framework discourages statutory auditors to get involved in professional misconducts. Disciplinary Committee of the ICAI decides on the disciplinary sanction against a statutory auditor based on severity of his crime. Professional misconduct as defined in Chartered Accountants Act, 1949 attracts disciplinary sanction. In India highest disciplinary sanction was provided to statutory auditors at Satyam. It was imprisonment and cancellation of membership certificate [Refer to Central Bureau of Investigation, Hyderabad vs. Subramani Gopalakrishnan (2011)]. However, in most of the cases, statutory auditors are either reprimanded [Refer to Council of Institute of Chartered Accountants of India vs. Shri S.N. Sachdeva (2011)] or their names are removed from the list of practicing members for a period ranging from 1 to 3 years [Refer to Institute of Chartered Accountants of India vs. Rajesh Chadha (2012)]. In some of these legal cases, sometimes the defendant auditor files a petition against the punitive action taken against them. Based on merit of the case the court may approve or dismiss their appeal. Hence, a strong and effective disciplinary framework is a prerequisite of independent audit.

**V<sub>8</sub>: Strong and Independent Audit Committee**

Audit Committee is an independent board committee nominated by the shareholders to look after their interest by keeping a constant oversight on statutory auditors' selection and performance. Strengthening competence and independence of this committee will safeguard statutory auditors' independence. In some known scandals [Refer to Subramani Gopalakrishnan vs. Institute of Chartered Accountants of India (2011)], internal control system was not sufficient and Audit Committee failed to perform their role. Hence, a strong Audit Committee is also required for helping auditors in independent audit process.

**V<sub>9</sub>: Introduction of New Company Law**

Recent introduction of Companies Act, 2013 incorporates certain new provisions aiming at protection of statutory auditors' independence. Its provisions relating to rotation of auditors, non-audit services are some of them.

**V<sub>10</sub>: Audit Inspection Mechanisms**

In India, inspection of statutory financial audit is enforced by the Council of Chartered Accountants of India through Peer Review Board and Quality Review Board. Compliance of technical and ethical standard in an audit engagement is reviewed by a select member of the Peer Review Committee under the Council of Chartered Accountants of India. This mechanism enforces existing regulation on statutory auditors' independence. In some cases, regulatory authorities in India conduct separate audit in the company's books and find out the lacuna in existing audit procedures. In legal case, Partha Ghosh vs. Institute of Chartered Accountants of India (2009), special audit done by the Reserve Bank of India (RBI) identified some irregularities which could not be found out by the auditors. While peer review enforced by the ICAI is a comprehensive mechanism, in legal case, P. Rama Krishna vs. Institute of Chartered Accountants of India (2010), it was observed that both audit partner and concurring review partner in the client company was from the same accounting firm. Hence, the review was not an independent review. Effectiveness of peer review mechanism is thus important tool to ensure statutory auditors' independence. Much later to the establishment of Peer Review Board, in pursuant to the Chartered Accountants (Amendment) Act, 2006, A Quality Review Board (QRB) has been constituted by the Council of Chartered Accountants of India (CCAI) and Central Government. This Board is entrusted with the responsibility of reviewing quality of services of the members of the ICAI including statutory auditors and recommending best practices to the council (Agarwal, 2015).

**V<sub>11</sub>: Lucidity in Audit Report**

In addition to the auditors' report on 'true and fair' view of financial statements, Audit Report also portrays sincerity and independence of a statutory auditor. But common investors, who do not have any technical knowledge in this field, cannot comprehend the reality behind the complex wording of Audit Report. However, if the language of Audit Report is made more lucid, these problems could be avoided.

**V<sub>12</sub>: Presence of Oversight Authority**

Recent Companies Act, 2013 provides for establishment of a new body known as the National Financial Reporting Authority (NFRA). In addition to some other activities, this body will also look after quality of audit services in the country. Unless this body come into force, it is not possible to comprehend their effectiveness in Indian auditing environment.

**V<sub>13</sub>: Importance to Professional Ethics**

A number of studies have tested the relationship between statutory financial audit and ethical consideration in accounting profession (Koumbiadis & Okapara, 2008). In India, ethics has been incorporated as a part of accounting curriculum. The ICAI also conducts Continuous Learning Programmes (CLPs) to imbibe ethical orientation among practising CAs.

**V<sub>14</sub>: Presence of Forensic Audit Practices**

Forensic audit is a new mechanism of investigative auditing. Comprehensive application of this mechanism is expected to make statutory auditors more responsible towards their professional commitments (Enofe, et. al., 2013).

After the selection is over, all the variables are converted into close ended statements and incorporated in a structured questionnaire with 5-point scale where different points represent different degrees of agreement with the corresponding statements [1: Strongly Disagree (SD); 2: Disagree (D); 3: Neutral (N); 4: Agree (A); and 5: Strongly Agree (SA)] (Kothari, 2010). As stated earlier, responses for the current study have been collected from practising CAs and Students pursuing Chartered Accountancy course and registered under Eastern India Regional Council (EIRC) of the ICAI. While CAs have practical experience dealing in statutory auditors' independence, students view this issue from academic perspective. The ICAI publishes a list of practising CAs every year which can be readily used as sampling frame, while such list is not available for students. Hence, instead of using Random Sampling for selecting of final respondents, non-probability Convenience Sampling method has been used (Ho, Ong & Seonsu, 1997) and 150 CAs and 150 Students have been selected as initial sample. The questionnaire has been sent to each one of them. However, with the survey period, out of 400 questionnaires, only 219 came back containing complete and usable responses. These 219 responses comprise 101 responses of CAs and 118 responses of Students. After the data collection is complete, it is incorporated in statistical software SPSS 20.0. Significant difference in the opinions of CAs and Students are analysed using non-parametric Mann-Whitney (M-W) Test.

### Results and Discussion

A brief demographic profile of the final respondents shows that participation of male respondents is significantly more than that of female respondents.

**Table 1: Demographic Profile of Respondents**

Demographic Profile Based on Gender					
Male		%		Female	
193		88.1		26	
				11.9	
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)	%
117	53.4	74	33.8	28	12.8
Demographic Profile Based on Occupation					
CAs		%		Students	
101		46.1		118	
				53.9	

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

It is also observed that most of the participants of this current research are young in age. A good proportion of middle aged and experienced respondents also participated in our study. Almost an equal number of CAs and Students pursuing Chartered Accountancy Course have been incorporated in this research.

Internal consistency and reliability of the current data is measured using Chronbach's alpha (Peterson, 1994). It is average of correlation coefficient between all possible splits in a summated scale. Data is considered to be reliable if the value of alpha is more than 0.6

(Chronbach, 1951). In the current study, it is 0.760. Hence, it can be finally inferred that the data used in the current study is internally consistent and reliable.

Significant difference between two independent groups for a dependent variable is analysed using Mann-Whitney Test when the dependent variable is not normally distributed (Zar, 1998). With respect to the current study, if significant difference of opinions exists between CAs and Students (independent groups) for a particular variable (dependent variable), it may be said that the practical experience gathered by CAs has significant impact on their opinion. A few assumptions are required to be met to conduct this test. These assumptions with respect to the current study are discussed here.

**Assumption 1: The dependent variable should be measured at ordinal level**

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

**Assumption 2: Independent variable should consist of two categorical independent groups**

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

**Assumption 3: Observations in one group must be independent from observations from another group**

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

**Assumption 4: The distributions for the groups should not be normal distribution**

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

- ◆ Null Hypothesis ( $H_0$ ): Distribution is normal
- ◆ Alternate Hypothesis ( $H_1$ ): Distribution is not normal

To test the above hypothesis, Kolmogorov Smirnov (K-S) Test is conducted. At 5% level of significance and ‘n’ Degree of Freedom (DF) (Where, n=sample size), results of K-S Test is shown below:

**Table 2: Results of K-S Test**

Variable Code	Variables	Category	K-S Statistic	DF	P-Value	Decision Rule	Decision
V <sub>1</sub>	Lack of Enforceability of Regulatory Framework	CAs	.262	101	.000	$H_0 < 0.05$	Rejected
		Students	.309	118	.000	$H_0 < 0.05$	Rejected
V <sub>2</sub>	Managerial control on Appointment Procedure	CAs	.295	101	.000	$H_0 < 0.05$	Rejected
		Students	.215	118	.000	$H_0 < 0.05$	Rejected
V <sub>3</sub>	Long Association with Audit Client	CAs	.366	101	.000	$H_0 < 0.05$	Rejected
		Students	.256	118	.000	$H_0 < 0.05$	Rejected
V <sub>4</sub>	Limit to Total	CAs	.369	101	.000	$H_0 < 0.05$	Rejected

	Remuneration	Students	.253	118	.000	$H_0 < 0.05$	Rejected
V <sub>5</sub>	Relationship with Management	CAs	.383	101	.000	$H_0 < 0.05$	Rejected
		Students	.249	118	.000	$H_0 < 0.05$	Rejected
V <sub>6</sub>	Rendering Non-Audit Services	CAs	.285	101	.000	$H_0 < 0.05$	Rejected
		Students	.251	118	.000	$H_0 < 0.05$	Rejected
V <sub>7</sub>	Stringent Punitive Measures	CAs	.287	101	.000	$H_0 < 0.05$	Rejected
		Students	.287	118	.000	$H_0 < 0.05$	Rejected
V <sub>8</sub>	Strong and Independent Audit Committee	CAs	.339	101	.000	$H_0 < 0.05$	Rejected
		Students	.331	118	.000	$H_0 < 0.05$	Rejected
V <sub>9</sub>	Introduction of New Company Law	CAs	.345	101	.000	$H_0 < 0.05$	Rejected
		Students	.264	118	.000	$H_0 < 0.05$	Rejected
V <sub>10</sub>	Audit Inspection Mechanisms	CAs	.350	101	.000	$H_0 < 0.05$	Rejected
		Students	.356	118	.000	$H_0 < 0.05$	Rejected
V <sub>11</sub>	Lucidity in Audit Report	CAs	.222	101	.000	$H_0 < 0.05$	Rejected
		Students	.263	118	.000	$H_0 < 0.05$	Rejected
V <sub>12</sub>	Presence of Oversight Authority	CAs	.408	101	.000	$H_0 < 0.05$	Rejected
		Students	.272	118	.000	$H_0 < 0.05$	Rejected
V <sub>13</sub>	Importance to Professional Ethics	CAs	.383	101	.000	$H_0 < 0.05$	Rejected
		Students	.260	118	.000	$H_0 < 0.05$	Rejected
V <sub>14</sub>	Presence of Forensic Audit Practices		.217	101	.000	$H_0 < 0.05$	Rejected

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

As  $H_0$  cannot be accepted for any of the variables, it means that the underlying data does not follow normal distribution. It is a perfect situation for conducting non-parametric tests.

Subject to fulfilment of the relevant assumptions, M-W Test is conducted based on following hypothesis:

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

The pivot difference between a CAs and Students pursuing Chartered Accountancy course is the professional experience that a CA has gathered. Therefore, if there is significant difference in the opinions of respondents, it may be due to the professional experience of CAs. Hence, if  $H_0$  is not accepted, it can be inferred that professional experience of CAs has significant impact on their opinion.

The test involves assigning ranks to each individual observation. Summation of ranks from each sample gives us the test statistic known as U. For large samples, U follows normal distribution. Hence, standardised value of the test statistics is computed and decision is taken

on the null hypothesis which state that no significant difference exists between the independent groups (Fay & Proschan, 1998). Test statistic for the current test is estimated as:

Test statistic (U): Smaller of

- ◆  $U_1 = n_1n_2 + [n_1 (n_1+1)] \div 2 - R_1$
- Or,
- ◆  $U_2 = n_1n_2 + [n_2 (n_2+1)] \div 2 - R_2$

Where,

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

Based on U, the Standardised Test Statistic is calculated as

$$Z = (U - m_u) \div \sigma_u$$

Where,

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

At K-1, Degrees of Freedom (DF) and 5% level of significance, if probability of Z is less than 0.05,  $H_0$  is not accepted and vice versa.

Based on the above discussion, Mann-Whitney Test is conducted. Results are depicted below (Table 3). It has been observed that  $H_0$  is accepted for the variables, ‘Long Association with Audit Client’ ( $V_3$ ), ‘Stringent Punitive Measures’ ( $V_7$ ), and ‘Importance to Professional Ethics’ ( $V_{13}$ ). Hence, for these three variables, there is no significant difference in the opinions of CAs and Students.

**Table 3: Result of Mann-Whitney Test**

	Variables	Mann-Whitney U	Z	P-Value	Decision Rule	Decision on $H_0$
$V_1$	Lack of Enforceability of Regulatory Framework	4088.000	-4.278	.000	P-Value<.05	Rejected
$V_2$	Managerial control on Appointment Procedure	4673.500	-2.871	.004	P-Value<.05	Rejected
$V_3$	Long Association with Audit Client	5703.000	-.591	.554	P-Value>.05	Accepted
$V_4$	Limit to Total Remuneration	3214.000	-6.116	.000	P-Value<.05	Rejected
$V_5$	Relationship with Management	4211.000	-4.130	.000	P-Value<.05	Rejected
$V_6$	Rendering Non-Audit Services	4933.000	-2.307	.021	P-Value<.05	Rejected
$V_7$	Stringent Punitive Measures	5785.000	-.398	.690	P-Value>.05	Accepted
$V_8$	Strong and Independent Audit Committee	1962.000	-8.981	.000	P-Value<.05	Rejected

V <sub>9</sub>	Introduction of New Company Law	4684.500	-2.973	.003	P-Value<.05	Rejected
V <sub>10</sub>	Audit Inspection Mechanisms	4635.500	-3.192	.001	P-Value<.05	Rejected
V <sub>11</sub>	Lucidity in Audit Report	2655.000	-7.339	.000	P-Value<.05	Rejected
V <sub>12</sub>	Presence of Oversight Authority	4938.500	-2.461	.014	P-Value<.05	Rejected
V <sub>13</sub>	Importance to Professional Ethics	5872.000	-.215	.830	P-Value>.05	Accepted
V <sub>14</sub>	Presence of Forensic Audit Practices	3717.000	-5.021	.000	P-Value<.05	Rejected

(Source: Compilation of Primary Data using SPSS 20.0)

From the result, it can be inferred that respondents irrespective of their professional experience and subject knowledge considered the importance of long association with audit client, stringent punitive measures and professional ethics in influencing statutory auditors' independent engagement. But for rest of the variables,  $H_0$  is not accepted. Significant difference of opinions exists between CAs and Students. Hence, CAs and Students view these issues with a different outlook due to their different levels of professional experience.

### Conclusions

Statutory auditors used to face several forms of threats to their independence in an audit engagement. Ethical standards issued by regulatory authorities and other measures offered by the accounting firms strive to safeguard auditors' independence from the identified threats. Long association with client, punitive measures for possible professional misconduct and statutory auditors' commitment towards ethical responsibilities have significant influence on statutory auditors' independent engagement. On these issues, CAs and Students irrespective of their professional knowledge and experience have opined unanimously. However, for the other few variables their opinions are significantly different. Probably the professional experience gathered by CAs lead them to see things differently from that of the students. In this backdrop, the study proposes a strict enforcement of Section 139 of Companies Act, 2013 relating to appointment of auditors and rotation of auditors. Measures of disciplinary proceedings should be made more strict and quick. The ICAI should take additional measures, such as organising training and orientation in addition to the Continuous Learning Programmes (CLPs) already in place. Proper functioning of Quality Review Board (QRB) under the Council of Chartered Accountants of India and establishment of National Financial Reporting Authority (NFRA) would bring forth statutory audit engagement with minimum threats to independence.

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