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Audit Activities and Quality Control for Statutory Financial Audit: Empirical Evidences

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Abstract
The study examines respondents' opinions on select issues concerning audit procedures and their relationship with quality control for statutory financial audit. Four integral aspects of audit activities including audit engagement, audit planning, audit sampling and audit documentation have been considered in order to select 19 variables based on their governing 'Standards on Auditing' (SAs) and consultation with practising professional accountants. These variables may have a relation with dependent variable like 'Quality Control for Statutory Financial Audit'. Keeping in view of the matter, opinions of 227 CAs and 146 Students on these 20 variables are collected and empirically studied using Mean Score, Mann-Whitney Test and Pearson's Correlation Coefficient and t test. Findings suggest that SAs governing the aforesaid issues are sufficient, while their proper implementation is needed. Besides competence and independence of engagement partners, involvement of all the members of an accounting firm in the audit process would bring effective results.
Keywords: Audit Engagement, Audit Planning, Audit Sampling, Audit Documentation, Quality Control, Mean Score, Mann-Whitney, Pearson's Correlation Coefficient, t test.

1. Introduction

Statutory auditors' objectivity is a matter of great significance while ensuring reliability and authenticity of financial statements. In the aftermath of Enron, WorldCom and Satyam scandal, ensuring investigation showed that statutory auditors in those companies compromised their professional judgement because of their biased attitude towards company management (Saha, 2015). The whole edifice had shaken the foundation of investors' confidence in integrity of financial reporting and audit procedures and question was raised on statutory auditors' ethical responsibility (Saha, 2015a). However, statutory auditors' lack of objectivity or degraded ethical responsibility are ultimately related to an ineffective quality control of statutory financial audit, Every time, audit profession is criticised following a colossal corporate failure, some lacunas in the profession itself have been identified. Continuous efforts of the regulatory authorities to meet those lacunas ultimately resulted in growth of quality control and audit procedures (Wright and Wright, 1997). Since the shocking revelation of Satyam scandal, Indian regulatory bodies, such as the Institute of Chartered Accountants of India (ICAI), the Securities and Exchange Board of India (SEBI), the Ministry of Corporate Affairs (MCA) have been taking significant regulatory measures to strengthen quality control for statutory financial audit (Saha & Roy, 2015). Moreover, effectiveness and efficiency of audit highly depends on different aspects of audit procedures which are predominantly controlled by Standards on Auditing (SAs) issued by the Institute of Chartered Accountants of India. Unless individual audit procedures are conducted according the requirements of SAs, quality control for statutory financial audit cannot be achieved.

In this backdrop, the primary purpose of the study is to examine opinions of practising Chartered Accountants and Students pursuing Chartered Accountancy course on select issues concerning audit activities that have significant impact on quality control for statutory financial audit.

2. Past Studies

Several studies have been made in different parts of the world to analyse the impact of audit procedures in ensuring overall audit quality and protecting stakeholders' interest. A few of them have been discussed here. Wright and Wright (1997) in their study investigated into the impact of industry experience on conducting audit procedures. The findings of the study suggested that industry experience helped an auditor in generating hypothesis of likely errors in audit procedures and helped in formulating their audit plan effectively. Pathak (2003) stressed on the identification of key factors impacting success of audit engagement in e-Commerce businesses. A model had been designed for effective audit engagement in those companies. However, the model has not been empirically studied. Brazel & Agoglia (2004) examined the effects of Computer Assessment Specialist (CAS) on auditors' judgement in complex audit environment. A quasi-experiment had been conducted where auditors' risk assessment was measured at different levels of CAS competence. Both auditors' expertise

and CAS competence significantly affected auditors' risk assessment. Bedard, et. al. (2006) identified individual task components in preparation of audit working papers. The study was conducted using survey data of an international audit firm that has recently adopted electronic work paper system. It was found that navigation around the electronic system is the most difficult task of electronic working paper system. Agoglia, et. al. (2007) compared audit work papers of preparers with that of reviewers and analysed the impact of fraud assessment documentation of reviewer's ability to identify control weaknesses. It was observed that preparers audit documentation provided a favourable assessment of control weaknesses. Shankaraguruswamy & Whisenaut (2009) in their research paper tested the competing theories on pricing of initial audit engagements. Data of 661 initial and 22117 continuing audit engagements had been taken. It was observed that auditors were engaged at the discounted remuneration even after public disclosure of audit fees. Gold, et. al. (2012) in their paper analysed the impact of audit partner rotation on audit quality. The data for 1995-2000 had been considered and rotation of audit engagement and review partner had been studied. Its impact on audit quality in respective engagements had been reviewed. It was observed that if tenure of review partner rotation is increased, it would improve quality of audit. Bedard & Johnstone (2012) investigated into auditors' assessment of earnings manipulation risk and their planning and pricing decisions in the presence of risk of material misstatements. Engagement partners' assessment of existing clients and client continuance risk assessment process had been taken into consideration for this purpose. It was observed that auditors' efforts indirectly increased earnings manipulation risk which was positively correlated with corporate governance risk. Durney, et. al. (2013) studied error rates and auditor performance using 160 audit sampling applications in large accounting firms in post-Sarbanes Oxley (SOX) period. It was observed that auditor performance with respect to evaluating sample errors have improved significantly in the post-SOX era. Christensen, et. al. (2014) had conducted a wide nationwide survey of Big-4 accounting firms on their current audit sampling policies. It was observed that large audit firms are different in terms of sampling method, and sample sizes used for conducting their audit procedures.

3. Research Gap

Existing studies in this field cover different aspects of audit procedures and its relationship with audit quality. Truly speaking, quality of audit can be controlled effectively if individual issues, such as audit engagement, audit planning, audit sampling and audit documentation are done judiciously keeping in mind the legal dictums. The survey of the current literature suggests that auditors' assessment of risk of material misstatement depends upon an effective audit plan. Within the limited time and scope, it may not be possible for the auditors to attest every aspect of financial statements. Hence, sampling is necessary. But current literature suggests that the method and sizes of sampling are different among big accounting firms. The entire work of auditing is also required to be documented. The nature of work papers also convey important message about the quality of audit.

Keeping in view of the past studies, it is felt that there is a need to study respondents' perception on select issues concerning audit activities and their relationship with quality control for statutory financial audit. While existing literature caters to individual issues, none of the studies consulted so far have taken a comprehensive outlook into this matter. Moreover, number of empirical researches in this field is also quite less. Keeping this in view, an attempt has been made to empirically analyse respondents' perception on select issues concerning audit activities and their relationship with quality control for statutory financial audit.

4. Objectives

Based on research gap, the study incorporates the following objectives:

(i) To identify the importance assigned to each variable by individual respondent groups;
(ii) To analyse significant difference of opinion between respondent groups;
(iii) To analytically study the significant association of select auditing issues with 'Quality Control for Statutory Financial Audit'.

5. Data and Methodology

An exploratory research design has been made to conduct this empirical research. Data for the current study has been collected from primary as well as secondary sources. Several books, journal articles, and reports have been consulted to form a general idea about audit procedures and its relationship with quality control for statutory financial audit. Legislations, especially Standards on Auditing (SAs) are proved to be an important source of information as they are critically studied for selection of variables. There are mainly four key areas from where the variables are selected. They are, Audit Engagement, Audit Planning, Audit Sampling, and Audit Documentation. As stated earlier, in an assurance engagement, these activities are governed by SA-210, SA-300, SA-530 and SA-230 respectively. While selecting the variables from these four distinct areas, the governing standards have been critically reviewed. A few reputed Chartered Accounting Firms in Kolkata have been consulted to finalise the variables as well. In the current study, one of the major objectives is to find out the association of the underlying variables with Quality Control for Statutory Financial Audit. Hence, 'Quality

Control for Statutory Financial Audit' is the Dependent Variable (DV) of the current study, while variables selected from the aforesaid four major areas are the Independent Variables (IVs)

Variable Code	Variables Selected	Rationale for Selection [Based on Select Standards on Auditing (SAs)]
	Dependent Variable (DV)	
V_1	Quality Control for Statutory Financial Audit	A satisfactory quality control for statutory financial audit would ensure compliance with applicable regulations and issuance of audit reports which are appropriate in circumstances.
	Independent Variables (IVs)	
	Parameter-1: Audit Engagement	Variables under this parameter have been selected based on SA-210 titled, 'Agreeing the terms of Audit Engagement'
V_2	Restricted access to client's information	If the statutory auditors have restricted access to all information of the client, they should not accept the engagement.
V_3	Acceptance of engagement subject to fulfilment of preconditions	Statutory auditors should not accept audit engagement if any of the preconditions for accepting audit engagement is not met.
V_4	Clarification on difference in the form of Audit Report	If format of audit report as per laws and regulations applicable to the company is different from the requirements of applicable SA, the auditor should separately mention this fact in the audit report to mitigate misunderstanding of the users.
	Parameter-2: Audit Planning	Variables under this parameter have been selected based on SA-300 titled, 'Planning an Audit of Financial Statements'
V_5	Involvement of all members of the engagement team in the planning process	Involvement of all the members of engagement team in the planning process would increase their effectiveness.
V_6	Possession of necessary competence and independence for formulating effective plan	The auditor should possess necessary independence and competence to develop audit plans.
V_7	Investigation into client's ethical orientation for updating of plan	The engagement team members should investigate client's ethical requirement in the subsequent audit engagements to update their audit plans.
V_8	Allotment of more resources in high risk areas	In the audit plan, more resources and more number of engagement team members should be allocated to the areas with high risk of material misstatements.
V_9	Assessment of nature, time and scope of audit before formulating plans	Before planning on nature, timing and extent of audit, risk of material misstatement should be assessed.
V_{10}	Maintaining documentation of audit strategy, audit program, and audit completion	The auditor maintains memorandum of audit strategy, complete audit program, audit completion checklist etc. as a part of the plan process.
V_{11}	Involvement of another partner of the firm to review audit strategy	Involvement of another audit partner to review validity of audit strategy may improve quality of audit.
	Parameter-3: Audit Sampling	Variables under this segment are selected based on SA-530 titled, 'Audit Sampling'
V_{12}	Sampling in audit procedure	If sampling is made, it will reduce quality of audit.
V_{13}	Constant change in nature, timing and scope of audit procedure to gather reliable samples	If the verification based on audit sampling does not help auditors to form a reasonable conclusion, they should change nature, timing and scope of audit procedure to gather more reliable samples.
V_{14}	Acquiring adequate knowledge in statistical application to design appropriate sample	Statutory auditors should possess adequate knowledge in statistical application to design an appropriate sample.
V_{15}	Selection of large audit sample subject to risk tolerance of statutory auditors	The auditor should try to keep their risk tolerance at its minimum thereby selecting a larger sample.
	Parameter-4: Audit Documentation	Variables under this parameter have been selected based on SA-230 titled, 'Audit Documentation'
V_{16}	Necessity of audit documents to address further queries	Audit documents maintained properly are helpful to accounting firm in case of any further query.
V_{17}	Proper documentation of regulatory requirement of audit procedure	Regulatory requirements of the audit procedure should be properly documented under the audit file.
V_{18}	Documentation of professional skepticism by statutory auditors	Audit documentation should provide auditors professional skepticism in accordance with SAs.
V_{19}	Documentation of basis for auditors' conclusion	The basis for auditors' conclusion on authenticity of a document should be properly documented.
V_{20}	Documentation of additional procedure taken by statutory auditors	If statutory auditors take additional audit procedure apart from the requirements of SAs, that should be properly documented.

Variables selected for the current study are converted into close ended statements and incorporated in a structured questionnaire with 5-point scale where different points represent different degrees of agreement of the respondents [1: Strongly Disagree (SD); 2: Disagree (D); 3: Neutral (N); 4: Agree (A); and 5: Strongly Agree (SA)] (Kothari, 2010).

Primary data for the study has been collected from practising Chartered Accountants (CAs) in Kolkata and Students pursuing Chartered Accountancy (final course) from the ICAI (Eastern Region). As populations sizes of the respondent categories could not be determined, respondents have been selected based on Non-Probability Convenience Sampling Technique (Ho, Ong & Seonsu, 1997).

A sample of 250 CAs and 200 Students has been selected initially and a field survey has been conducted on them. However, 227 CAs and 146 Students have provided valid responses to the questionnaire. Hence, a few empirical analyses have been conducted with the final sample of 373 respondents to fulfil the stated objectives:

Objectives	Analytical Tools
To identify the importance assigned to each variable by individual respondent groups	♦ Mean Score
To empirically analyze significant difference of opinion between respondent groups	♦ Mann-Whitney Test
To analytically study the significant association of select issues with 'Quality Control for Statutory Financial Audit'	♦ Pearson's Correlation Coefficient (r) and t test.

6. Analysis and Discussion

6.1 Identifying Importance assigned to Each Variable by Individual Respondent Groups using Mean Score

The questionnaire for the study is designed on 5-point scale. Different points represent different levels of agreement. Every time a respondent marks his views for a particular statement, they are assigned a score. Hence, a respondent with strong agreement with a statement is assigned a score of 5; respondent with agreement with a statement is assigned a score of 4 and so on. When the entire data is collected and compiled, average score for a particular statement for CAs, Students and the overall sample can be computed. This score is known as Mean Score. As score of 3 represents Neutral approach, Mean Score more than 3 for a particular variable indicates that respondents in general are agreeing with the theme of the variable, proving it to be important. The variable is not so important, if Mean Score is less than 3. The results are in the following table:

Table 1: Mean Score of Individual Occupational Categories and Overall Sample

Variable Code	Variables	Mean Score		
		CAs	Students	Total
V_1	Quality Control for Statutory Financial Audit	3.255507	2.678082	3.029491
V_2	Restricted access to client's information	4.061674	4.445205	4.211796
V_3	Acceptance of engagement subject to fulfillment of preconditions	4.048458	4.445205	4.203753
V_4	Clarification on difference in the form of Audit Report	3.872247	4.150685	3.981233
V_5	Involvement of all members of the engagement team in the planning process	3.757709	4.020548	3.86059
V_6	Possession of necessary competence and independence for formulating effective plan	4.281938	4.356164	4.310992
V_7	Investigation into client's ethical orientation for updating of plan	3.801762	2.835616	3.423592
V_8	Allotment of more resources in high risk areas	4.052863	4.082192	4.064343
V_9	Assessment of nature, time and scope of audit before formulating plans	4.110132	4.09589	4.104558
V_{10}	Maintaining documentation of audit strategy, audit program, and audit completion	3.982379	3.746575	3.89008
V_{11}	Involvement of another partner of the firm to review audit strategy	3.903084	3.691781	3.820375
V_{12}	Sampling in audit procedure	2.60793	3.376712	2.908847
V_{13}	Constant change in nature, timing and scope of audit procedure to gather reliable samples	4.017621	4.205479	4.091153
V_{14}	Acquiring adequate knowledge in statistical application to design appropriate sample	3.9163	3.979452	3.941019
V_{15}	Selection of large audit sample subject to risk tolerance of statutory auditors	3.784141	3.787671	3.785523
V_{16}	Necessity of audit documents to address further queries	4.251101	4.506849	4.351206
V_{17}	Proper documentation of regulatory requirement of audit procedure	4.185022	4.376712	4.260054
V_{18}	Documentation of professional skepticism by statutory auditors	4.066079	4.034247	4.053619
V_{19}	Documentation of basis for auditors' conclusion	4.101322	4.287671	4.174263
V_{20}	Documentation of additional procedure taken by statutory auditors	4.017621	4.226027	4.099196

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

Inferences

- Final respondents and individual respondent groups have a neutral approach to 'Quality Control for Statutory Financial Audit' (V_1).
- As per overall sample, 'Necessity of audit documents to address further queries' (V_{16}) is the most important variable in the current study followed by 'Possession of necessary competence and independence for formulating effective plan' (V_6). 'Proper documentation of regulatory requirement of audit procedure' (V_{17}), 'Restricted access to client's information' (V_2), 'Acceptance of engagement subject to fulfilment of preconditions' (V_3), 'Documentation of basis for auditors' conclusion' (V_{19}), 'Assessment of nature, time and scope of audit before formulating plans' (V_9), 'Documentation of additional procedure taken by statutory auditors' (V_{20}), 'Constant change in nature, timing and scope of audit procedure to gather reliable samples' (V_{13}), and 'Documentation of professional skepticism by statutory auditors' (V_{18}) are some other important variables of the current study.
- While opinions of CAs are almost same as that of the final sample, they consider 'Possession of necessary competence and independence for formulating effective plan' (V_6) as the most important variable. However, Students in line with the overall sample, consider 'Necessity of audit documents to address further queries' (V_{16}) as the most important variable of the current study.

6.2 Analysing Significant Difference of Opinion between Respondent Groups using Mann-Whitney Test

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 opinion exists between CAs and Students (independent groups) for a particular variable (dependent variable), it may be said that the occupation of respondents has significant impact on their opinion. The assumptions of this test and their fulfilment are as follows:

No.	Assumptions	Fulfillment of Assumptions
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.
2	Independent variable should consist of two categorical independent groups	Independent variable is the population groups. They are CAs and Students. Hence, they are categorical in nature.
3	Observations in one group must be independent from observations from another group	Chartered Accountants are independent in their observations from Students pursuing Chartered Accountancy Course.
4	The independent groups should not be normal distributed	Normality of a distribution can be examined with the help of following hypothesis: ♦ H_0: Distribution is normal ♦ H_1: Distribution is not normal ⇒ To test the above hypothesis, Kolmogorov Smirnov Test is conducted for each select variable across independent groups at 'n' (sample size of each group) degrees of freedom and 5% level of significance. ⇒ If P–Value of statistic is less than 0.05, H_0 is not accepted proving the distribution as non–normal distribution. ⇒ It is observed that H_0 is rejected for both the groups for each select variable. Hence, they follow non–normal distribution.

Statistically the null and alternate hypothesis for this current test can be drawn as follows:

- H_0: The distribution of both populations are equal;
- H_1: The distribution of both populations is not equal.

In this current study, populations of CAs and Students are considered. Hence, the hypothesis for the current study is:

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

The 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 can also 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.
Now, subject to fulfilment of all the aforesaid assumptions, Mann–Whitney Test is conducted for the current dataset as follows:
Table 2: Result of Mann–Whitney Test

Variable Code	Variables	U	Z	P–Value	Decision Rule	Decision on H_0
V_1	Quality Control for Statutory Financial Audit	11880	–4.81518	0.000001	P–Value<0.05	Rejected
V_2	Restricted access to client's information	11356.5	–5.67101	0.000000	P–Value<0.05	Rejected
V_3	Acceptance of engagement subject to fulfillment of preconditions	10727.5	–6.6613	0.000000	P–Value<0.05	Rejected
V_4	Clarification on difference in the form of Audit Report	13478	–3.64278	0.000270	P–Value<0.05	Rejected
V_5	Involvement of all members of the engagement team in the planning process	12799.5	–4.15044	0.000033	P–Value<0.05	Rejected
V_6	Possession of necessary competence and independence for formulating effective plan	15099.5	–1.76627	0.077350	P–Value<0.05	Rejected
V_7	Investigation into client's ethical orientation for updating of plan	9403	–7.69236	0.000000	P–Value<0.05	Rejected
V_8	Allotment of more resources in high risk areas	14824.5	–2.02299	0.043074	P–Value<0.05	Rejected
V_9	Assessment of nature, time and scope of audit before formulating plans	14968	–1.9741	0.048371	P–Value<0.05	Rejected
V_{10}	Maintaining documentation of audit strategy, audit program, and audit completion	15406	–1.43509	0.151262	P–Value>0.05	Accepted
V_{11}	Involvement of another partner of the firm to review audit strategy	15587	–1.10315	0.269963	P–Value>0.05	Accepted
V_{12}	Sampling in audit procedure	10299	–6.54093	0.000000	P–Value<0.05	Rejected
V_{13}	Constant change in nature, timing and scope of audit procedure to gather reliable samples	13706.5	–3.74702	0.000179	P–Value<0.05	Rejected
V_{14}	Acquiring adequate knowledge in statistical application to design appropriate sample	15674.5	–1.13038	0.258316	P–Value>0.05	Accepted
V_{15}	Selection of large audit sample subject to risk tolerance of statutory auditors	15944.5	–0.75321	0.451324	P–Value>0.05	Accepted
V_{16}	Necessity of audit documents to address further queries	11382	–5.94467	0.000000	P–Value<0.05	Rejected
V_{17}	Proper documentation of regulatory requirement of audit procedure	12566.5	–4.88317	0.000001	P–Value<0.05	Rejected
V_{18}	Documentation of professional skepticism by statutory auditors	16134.5	–0.53757	0.590875	P–Value>0.05	Accepted
V_{19}	Documentation of basis for auditors' conclusion	13730.5	–3.42188	0.000622	P–Value<0.05	Rejected
V_{20}	Documentation of additional procedure taken by statutory auditors	13215.5	–4.03054	0.000056	P–Value<0.05	Rejected

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

Inferences

- CAs and Students are significantly different in their opinion for the dependent variable, 'Quality Control for Statutory Financial Audit' (V_1).
- Moreover, H_0 is not accepted for most of the independent variables. The result suggests that there is significant difference of opinions between CAs and Students. Professional experience of CAs may be a probable reason behind such difference.
- However, for variables like 'Maintaining documentation of audit strategy, audit program, and audit completion' (V_{10}) and 'Involvement of another partner of the firm to review audit strategy' (V_{11}), 'Acquiring adequate knowledge in statistical application to design appropriate sample' (V_{14}) and 'Selection of large audit sample subject to risk tolerance of statutory auditors' (V_{15}) and 'Documentation of professional skepticism by statutory auditors' (V_{18})., where H_0 is accepted, CAs and Students have shown unanimous opinion irrespective of their professional experience.

6.3 Studying significant association of select auditing issues with 'Quality Control for Statutory Financial Audit' using Pearson's Correlation Coefficient and t test

Relationship between 'Quality Control for Statutory Financial Audit' (V_1) and each IV is analysed with the help of Pearson's Correlation Coefficient (r).

The value of r ranges between –1 to +1. If the calculated value of r is more than 0.5, it indicates very strong positive correlations for this current sample. However, this may not hold true for the entire population. In order to test the statistical significance of this 'r', the following hypothesis has been taken:

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

The t test is conducted to test the above hypothesis with following test statistic:

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

Where,

- n (sample size) = 373

At n-1 DF, and 5% level of significance, if the probability of t is less than 0.05, H_0 is not accepted and vice versa. Results for each IV are the following table:

Table 3: Pearson's Correlation Coefficient and Result of t test

Variable Code	Variables	R	P–Value	Decision Rule	Decision on H_0
V_2	Restricted access to client's information	–0.066600861	0.199357	P–Value>0.05	Accepted
V_3	Acceptance of engagement subject to fulfillment of preconditions	0.034405152	0.507689	P–Value>0.05	Accepted
V_4	Clarification on difference in the form of Audit Report	–0.02203737	0.671394	P–Value>0.05	Accepted
V_5	Involvement of all members of the engagement team in the planning process	0.127100776	0.014032	P–Value<0.05	Rejected
V_6	Possession of necessary competence and independence for formulating effective plan	0.091280018	0.078294	P–Value>0.05	Accepted
V_7	Investigation into client's ethical orientation for updating of plan	0.222054902	0.000015	P–Value<0.05	Rejected
V_8	Allotment of more resources in high risk areas	–0.00228733	0.964883	P–Value>0.05	Accepted
V_9	Assessment of nature, time and scope of audit before formulating plans	0.092853798	0.073268	P–Value>0.05	Accepted
V_{10}	Maintaining documentation of audit strategy, audit program, and audit completion	0.255959068	0.000001	P–Value<0.05	Rejected
V_{11}	Involvement of another partner of the firm to review audit strategy	0.066209741	0.202015	P–Value>0.05	Accepted
V_{12}	Sampling in audit procedure	–0.013333677	0.797439	P–Value>0.05	Accepted
V_{13}	Constant change in nature, timing and scope of audit procedure to gather reliable samples	–0.024527282	0.636797	P–Value>0.05	Accepted
V_{14}	Acquiring adequate knowledge in statistical application to design appropriate sample	0.013003726	0.802347	P–Value>0.05	Accepted
V_{15}	Selection of large audit sample subject to risk tolerance of statutory auditors	0.043951177	0.397331	P–Value>0.05	Accepted
V_{16}	Necessity of audit documents to address further queries	–0.044372704	0.392815	P–Value>0.05	Accepted
V_{17}	Proper documentation of regulatory requirement of audit procedure	–0.057300302	0.269660	P–Value>0.05	Accepted
V_{18}	Documentation of professional skepticism by statutory auditors	0.118990285	0.021531	P–Value<0.05	Rejected
V_{19}	Documentation of basis for auditors' conclusion	0.01256132	0.808939	P–Value>0.05	Accepted
V_{20}	Documentation of additional procedure taken by statutory auditors	0.010175467	0.844715	P–Value>0.05	Accepted

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

Inferences

Table-3 exhibits that 'Involvement of all members of the engagement team in the planning process' (V_5), 'Investigation into client's ethical orientation for updating of plan' (V_7), 'Maintaining documentation of audit strategy, audit program, and audit completion' (V_{10}) and 'Documentation of professional skepticism by statutory auditors' (V_{18}) have significant association with 'Quality Control for Statutory Financial Audit' (V_1). Hence, issues relating to audit planning and documentation significantly influence quality control for statutory financial audit.

7. Conclusions

Statutory audit procedures are instrumental to quality control of statutory financial audit. Among many issues comprising entire audit procedure, audit engagement, audit planning, audit sampling and audit documentation are noteworthy. Current study identifies the governing standards for each of these four issues. As per respondents' opinions, audit engagement should be accepted subject to fulfilment of all the preconditions. In this respect, restricted information by the clients seems to be an impediment to the auditors. After accepting the engagement, planning has to be made. While planning for an audit procedure, the engagement team members should have necessary competence and independence. All members should be involved in the planning procedure and it has to be reviewed by another senior partner of the firm. Within the limited time frame, to conduct a quality audit, audit sample must be made. Hence, auditors should possess good statistical knowledge. Size of sample usually depends on risk tolerance level of auditors. Finally, documentation of audit procedures must be maintained in a comprehensive manner. Audit strategy, audit programme, compliance with regulatory requirements and professional skepticism of auditors should be a part of audit documentation. It is evident from the analysis that the existing regulation is sufficient to cater to the existing needs of quality audit. However, their implementation is extremely essential. Hence, significant findings of the study should be duly considered and implemented to achieve an effective quality control mechanism.

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