

Regulatory Framework Governing Audit Activities: A Comparison among Select Counties

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Abstract

The study identifies that the major portion of audit process can be segregated into a few major segments, such as audit engagement, audit planning, audit evidences, audit sampling, audit documentation and audit report. Responsibilities of a statutory auditor towards each of these issues are governed by particular Auditing Standards. The study considers three countries including the United States of America, the United Kingdom and India which have significant contribution towards world Gross Domestic Product. Auditing Standards governing aforesaid issues in these three countries have been identified and a comparative analysis of their requirements has been made to some extent. The analysis points towards a successful convergence of county specific Auditing Standards and International Standards on Auditing (ISAs). However, the requirements of the standards in UK and India are different from that of USA in few cases.

Keywords: Audit Engagement, Audit Planning, Audit Evidence, Audit Sampling, Audit Documentation, Audit Report, USA, UK, India

1. Introduction

Statutory financial auditors are appointed by the shareholders of a company in its Annual General Meeting (AGM) generally. Statutory auditors, subject to fulfilment of the preconditions of audit, agree to the terms of the engagement, which basically determine the scope of audit. While accepting an engagement, statutory auditors should be sure that it can take up the engagement with necessary competence and independence (Saha, 2015). The next step in audit process involves setting the overall audit strategy for the engagement and developing an audit plan keeping in mind the internal control characteristic of the client company. The nature and scope of planning may vary in accordance with the size and complexity of the client entity. In case of subsequent audit engagement, engagement team members' previous experience and change in circumstances help in devising a successful plan. Planning also depends upon auditors' consideration of risk of material misstatement. Sometimes, the nature, timing, scope and extent of plan for audit are decided by the statutory financial auditors based on evaluation of client organisation's internal control system, preliminary examination of charter, and policy of the client organisation, etc. (Bedard & Johnstone, 2004). Based on the formulated plan, the auditors finally proceed towards performance of audit procedures with the help of audit engagement team which involves collection of sufficient and appropriate audit evidences to support auditors' opinion about 'true and fair view' on financial statements in the form of auditor's report. Inspection, observations, confirmation, recalculation, re-performance, and analytical procedures are different audit procedures of collecting audit evidences. Evidences are usually collected from internal or external sources or are generated from the works of auditors' expert. It basically asserts or contradicts the managements' assertions on financial statements. Both vouching and verification as a pillar of auditing are conducted methodically in order to safeguard the stakeholders' interest. Risk of material misstatement can be reduced to a great extent if the audit evidences are of sufficient quantity and are collected from reliable sources. While preparing audit plan, if the number of auditable units are too large, the auditor has to go for audit sampling. The auditor needs knowledge in statistics before selecting a reasonable sample (Christensten, et. al., 2015). The whole process of auditing needs to be documented on a timely basis. Documents on evidences collected and conclusions drawn help an auditor to prepare their reports. Effective documentation procedure also facilitates review process (Bedard & Johnstone, 2007). At the end of audit process, the auditor forms their opinions on financial statements and prepares auditors' report. Sometimes, an audit report may communicate few material misstatements which are made in the financial statements and also the management bias while preparing financial statements.

In different countries, the entire process of auditing as described above is governed by select Auditing Standards issued by affiliating professional institute of the professional accountants. While the basic structure of the standards are almost same, some differences still prevail. The current study is an attempt to comparatively analyse the standards governing audit activities in a few countries including India.

2. Objectives

The main objective of the current paper is to conduct a comparative analysis of select issues in audit activities, such as audit engagement, audit planning, audit evidence, audit sampling, audit documentation and audit report among a few developed and developing countries including India (Refer to Section 4).

3. Methodology

The study is exploratory in nature. It involves a comparative analysis among three countries based on conceptual ideas on different audit procedures. At an outset, accessible literature, such as books, journal articles, and legislations were gone through to develop a conceptual ideas on select audit procedures considered in this study. For the purpose of comparative analysis, three countries with higher contribution to the world Gross Domestic Product (GDP) have been selected. They are the United States of America (USA), the United Kingdom (UK), and India. With a view to selecting these countries, lists of countries ranked based on their annual GDP published by World Bank, Central Intelligence Agency (CIA) and International Monetary Fund (IMF) at the end of 2015 have been considered. From each of these lists, top ten countries are initially selected. These three countries are present among the top ten countries of each of these lists. The secondary data necessary for comparative analysis were collected during the period of January 2015 to June 2015. Auditing standards governing audit engagement, audit planning, audit evidence, audit sampling, audit documentation and audit report in three select countries are predominantly referred for the purpose of comparative analysis.

4. Analysis and Discussion

(i) Conceptual Aspect of Regulatory Framework governing Audit Activities

Among the countries selected, USA was ranked first as per the data published by the World Bank, CIA and IMF on country GDPs. A high level of industrial output and corporate growth in this country required US regulatory bodies to instil a good auditing system. However, rampant corporate malpractices (e.g. Enron, WorldCom) eventually proved inadequacy of quality audit in the country (Thibodeau & Frier, 2010). Selection of UK is made not because of its huge GDP, but its significant contribution towards audit regulations. Though countries like Japan or Russia was ranked ahead of UK which was ranked 8th in the list of the IMF and the CIA and 9th in the list of the World Bank, UK is an important member country of the European Union (EU). Regulatory authorities in UK first talked about global convergence of financial reporting framework and uniformity in statutory audit regulations all over the world. The concept of Audit Committee which is one of the pillars of modern corporate governance mechanism was first emerged in UK. Finally, India is the 3rd largest economy in the world as per the list published by World Bank, CIA and IMF. After independence in 1947, India's growth in industrial and service sector was phenomenal. Now, Indian companies have extended their global presence in different sectors. Hence, protection of a global stakeholder base has become all the more important for Indian companies now. Auditing, which is a tool protection of stakeholders' interest should be sharpened.

In the select countries, audit procedures are governed by a particular auditing standard. In USA, the Auditing Standards Board (ASB) under the American Institute of Certified Public Accountants (AICPA) is in charge of issuing auditing standards. Diverse aspects of auditing which are represented with the help of different Statements of Auditing Standards (SASs) were known as Auditing (AU) sections. In order to improve the applicability of SASs and making it analogous with International Standards on Auditing (ISAs) issued by the International Auditing and Assurance Standards Board (IAASB) under the International Federation of Accountants (IFAC), the ASB has started redrafting the SASs in line with ISAs. As a result, old auditing (AU) sections were converted into new auditing section. In order to stay away from any confusion between the old and new auditing sections, the new auditing sections are termed as Clarified Auditing Sections (AU-C Sections) (Flood, 2015). In UK, Financial Reporting Council (FRC) is responsible for issuing ISAs (UK & Ireland) which has completely converged with ISAs. India, however, has its separate set of Standards on Auditing (SAs) which is drafted in line with ISAs. The Institute of Chartered Accountants of India (ICAI) has, so far issued 37 SAs dealing different facets of auditing.

Acceptance of audit engagement is one of the most important aspects of overall audit procedure. Auditor agrees upon the agreement for accepting an engagement if preconditions for performance of an audit are fulfilled. There should also be a common understanding between auditor and management and those charged with governance about the terms of engagement. In USA, it is governed by SAS-122 (AU-C 210) titled, 'Terms of Engagement'. ISA (UK & Ireland)-210 titled, 'Terms of Audit Engagements' discusses auditors' responsibilities with respect to agreeing on the terms of engagement in UK. In India, responsibilities of the auditor with respect to agreeing the terms of audit engagement are guided by SA-210 (Revised) titled 'Agreeing the Terms of Audit Engagement'.

After the auditors are engaged, plan should be formulated in such a manner, so that audit can be performed in an effective way. In USA, Auditors' responsibilities with respect to planning an audit engagement are discussed under SAS-122 (AU-C 300) titled, 'Planning an Audit'. In UK, statutory auditor plans an audit

of financial statements based on the provisions of ISA (UK & Ireland) 300 titled, ‘Planning an Audit of Financial Statements’. Finally, in India, statutory auditor plans audit of a financial statements based on provisions of SA-300 (Revised) titled ‘Planning an Audit of Financial Statements’.

An auditor is required to know what constitutes audit evidence and should design their audit procedures to collect sufficient and appropriate audit evidence to draw their conclusion on the financial statement. The standard in USA that dictates the responsibility of statutory auditors in this regard is SAS-122 (AU-C 500) titled, ‘Audit Evidence’. In UK, statutory auditors’ responsibilities with respect to collection of sufficient and appropriate evidences based on ISA (UK & Ireland)-500 titled, ‘Audit Evidence’. In India, the applicable standard is SA-500 (Revised) titled ‘Audit Evidence’.

Audit sampling is another important aspect of auditing. Auditors’ decision to use samples and the method of selection of those samples is discussed in SAS-122 (AU-C 530) titled, ‘Audit Sampling’ in USA. In UK, Statutory auditor performs audit sampling as per ISA (UK & Ireland)-530 titled, ‘Audit Sampling and Other Means of Testing’. In India, Limitations on time available for audit lead a statutory auditor to go for audit sampling, where auditors sample out few units of accounts and perform their procedures on those units to draw their conclusion on the entire financial statements. SA-530 (Revised) titled, ‘Audit Sampling’ guides an auditor in this respect.

Preparation of audit documentation while conducting audit procedures is an important responsibility of an auditor. The particular standard that guides an auditor in this respect in USA is SAS-122 (AU-C 230) titled, ‘Audit Documentation’. In UK, statutory auditors’ responsibilities with respect to preparation audit documents are discussed under ISA (UK & Ireland)-230 titled, ‘Audit Documentation’. In India, An appropriate documentation is maintained as per the provisions of SA-230 (Revised) titled ‘Audit Documentation’. The documentation should provide sufficient and appropriate record of audit findings that form the basis of audit report. It should also provide the evidence that the audit has been planned and performed as per applicable regulatory requirements.

Reporting is the last part of auditing. Naturally, auditors’ responsibilities with respect to reporting are also multifarious. In USA, SAS-122 (AU-C 700) titled, ‘**Forming an Opinion and Reporting on Financial Statements**’ dictates those responsibilities. The independent auditor’s report on financial statements is guided by ISA (UK & Ireland)-700 titled, ‘The Auditor’s Report on Financial Statements’ in UK. In India, an auditor draws up a report based on the requirements of SA-700 (Revised) titled ‘Forming an Opinion and Reporting on Financial Statements’. As per these standards, the auditor is required to form an opinion about the financial statements based on audit evidences obtained and issue a written report on their opinion.

(ii) Regulatory Framework governing Audit Activities A Comparison among Select Counties

The parameters selected for comparative analysis are:

- (i) *Audit Engagement;*
- (ii) *Audit Planning;*
- (iii) *Audit Evidence;*
- (iv) *Audit Sampling;*
- (v) *Audit Documentation; and*
- (vi) *Audit Report*

Requirements of the standards governing each of these issues in three select countries are depicted here:

Table 1: A Comparative Study of Select Audit Activities in USA, UK and India

Countries	The United States of America	The United Kingdom	India
Parameters	<i>Parameter 1: Audit Engagement</i>		
A. Governing Standard	SA-122 (AU-C 210) titled, ‘Terms of Engagement’	ISA (UK & Ireland)-210 titled, ‘Terms of Audit Engagement’	SA-210 titled, ‘Agreeing the Terms of Audit Engagement’
B. Requirements	<ul style="list-style-type: none"> ◆ Fulfilment of preconditions; ◆ Coping with limitations on free access to information; ◆ Discussion with management on limitations in preconditions; ◆ Agreeing upon the terms of engagement; 	<ul style="list-style-type: none"> ◆ Fulfilment of prerequisites; ◆ Dealing with limitations on free access to information; ◆ Communicating management on limitations in preconditions; ◆ Deciding the terms of engagement; 	<ul style="list-style-type: none"> ◆ Fulfilment of preconditions; ◆ Dealing with limitations on free access to information; ◆ Discussion with management on limitations in preconditions; ◆ Agreeing upon the terms of engagement;

	<ul style="list-style-type: none"> ◆ Communication with predecessor auditor; ◆ Revision of terms of engagement in case of recurring audits; ◆ Change in terms of engagement subject to reasonable justification; ◆ Deciding form and content of audit report, if laws and regulations governing client is significantly different from GAAS. 	<ul style="list-style-type: none"> ◆ Revision of terms of engagement in case of recurring audits; ◆ Change in terms of engagement subject to logical justification; ◆ Evaluating conflicts if financial statements are prepared based on two sets of standards; ◆ Withdrawal from engagement, if financial reporting framework is misleading; ◆ Withdrawal from engagement if form and content of report is different from that of ISAS. 	<ul style="list-style-type: none"> ◆ Revising terms of engagement in case of recurring audits; ◆ Change in terms of engagement subject to realistic justification; ◆ Evaluating conflicts if financial statements are prepared based on two sets of standards; ◆ Withdrawal from engagement, if financial reporting framework is misleading; ◆ Pulling out of engagement if form and content of report is different from that of SAs.
Parameter 2: Audit Planning			
A. Governing Standard	SAS-122 (AU-C 300) titled, 'Planning an Audit'	ISA (UK & Ireland)-300 titled, 'Planning an Audit of Financial Statements'	SA-300 titled, 'Planning an Audit of Financial Statements'
B. Requirements	<ul style="list-style-type: none"> ◆ Participation of key members; ◆ Preliminary engagement activities; ◆ Formulation of overall audit strategy; ◆ Determining requirement of auditor's expert; ◆ Communication with predecessor auditor; ◆ Preparation of overall audit plan. 	<ul style="list-style-type: none"> ◆ Contribution of key members; ◆ Initial engagement activities; ◆ Formulation of overall audit strategy; ◆ Communicating predecessor auditor; ◆ Documentation of overall audit plan. 	<ul style="list-style-type: none"> ◆ Involvement of key members; ◆ Introductory engagement activities; ◆ Formulating overall audit strategy; ◆ Communication with predecessor auditor; ◆ Documentation of overall audit plan.
Parameter 3: Audit Evidence			
A. Governing Standard	SAS-122 (AU-C 500) titled, 'Audit Evidence'	ISA (UK & Ireland)-500 titled, 'Audit Evidence'	SA-500 titled, 'Audit Evidence'
B. Requirements	<ul style="list-style-type: none"> ◆ Designing audit procedures to collect sufficient appropriate evidences; ◆ Evaluation of relevance and reliability of information; ◆ Determining appropriate actions when audit evidences are from two sources. 	<ul style="list-style-type: none"> ◆ Framing audit procedures to collect sufficient appropriate evidences; ◆ Evaluating significance and consistency of information; ◆ Judicious selection of item in case of test of control and test of detail; ◆ Determining suitable actions when audit evidences are from two sources. 	<ul style="list-style-type: none"> ◆ Preparing audit procedures to collect sufficient appropriate evidences; ◆ Evaluation of importance and dependability of information; ◆ Judicious selection of item in case of test of control and test of detail; ◆ Determining fitting actions when audit evidences are from two sources.
Parameter 4: Audit Sampling			
A. Governing Standard	SAS-122 (AU-C 530) titled, 'Audit Sampling'	ISA (UK & Ireland) 530 titled, 'Audit Sampling and Other Means of Testing'	SA-530 titled, 'Audit Sampling'
B. Requirements	<ul style="list-style-type: none"> ◆ Assessing nature of audit before selection of sample; 	<ul style="list-style-type: none"> ◆ Identifying nature of audit before selection of sample; 	<ul style="list-style-type: none"> ◆ Assessing nature of audit before selection of sample;

	<ul style="list-style-type: none"> ◆ Conducting audit procedures on each item of sample; ◆ Finding out nature and cause of deviation in item selected; ◆ Projecting result of sampling for entire population; ◆ Evaluation of conclusion based on sampling risk. 	<ul style="list-style-type: none"> ◆ Performing audit procedures on each item of sample; ◆ Identifying the nature and cause of deviation in item selected; ◆ Presenting result of sampling for entire population; ◆ Evaluation of conclusion based on sampling risk. 	<ul style="list-style-type: none"> ◆ Conducting audit procedures on each item of sample; ◆ Diagnosing nature and cause of deviation in item selected; ◆ Projecting result of sampling for entire population; ◆ Evaluation of conclusion based on sampling risk.
Parameter 5: Audit Documentation			
A. Governing Standard	SAS-122 (AU-C 230) titled, 'Audit Documentation'	ISA (UK & Ireland) 230 titled, 'Audit Documentation'	SA-230 titled, 'Audit Documentation'
B. Requirements	<ul style="list-style-type: none"> ◆ Preparation of audit documents on timely basis; ◆ Documentation of every important aspects of auditing; ◆ Documentation of departure from mandatory requirement with reasons thereof; ◆ Documentation of events after publication of audit report; ◆ Collecting all audit files before release date. ◆ Retaining audit documents for 5 years. 	<ul style="list-style-type: none"> ◆ Preparation of audit documents on judicious basis; ◆ Documentation of every key aspects of auditing; ◆ Documentation of departure from obligatory requirement with reasons thereof; ◆ Documentation of proceedings following publication of audit report; ◆ Gathering all audit files before release date. ◆ Retention period not specified. 	<ul style="list-style-type: none"> ◆ Preparation of audit documents on appropriate basis; ◆ Documentation of every critical aspects of auditing; ◆ Documentation of departure from binding requirement with reasons thereof; ◆ Documentation of actions after publication of audit report; ◆ Acquiring all audit files before release date. ◆ Retaining audit documents for 7 years.
Parameter 6: Audit Report			
A. Governing Standard	SAS-122 (AU-C 700) titled, 'Forming an Opinion and Reporting on Financial Statements'	ISA (UK & Ireland)-700 titled, 'The Auditor's Report on Financial Statements'	SA-700 titled, 'Forming an Opinion and Reporting on Financial Statements'
B. Requirements	<ul style="list-style-type: none"> ◆ Evaluating key aspects of financial statements for forming their opinion; ◆ Issuance of unmodified opinion if financial statements are free from material misstatement; ◆ Report should be in writing; ◆ Report should have a title; ◆ It should be addressed as required by the engagement; ◆ It should have an introductory paragraph; ◆ Responsibilities of the management should be specified; ◆ Auditors' responsibilities should be specified; 	<ul style="list-style-type: none"> ◆ Assessing key aspects of financial statements for forming their opinion; ◆ Report should have a title; ◆ It should be addressed as required by the engagement; ◆ It should have an introductory paragraph; ◆ The report should contain declaration from those charged with governance; ◆ Reporting scope of auditor; ◆ The report should contain opinion of auditors; ◆ Providing opinion on the financial statements, if it is prepared as per an additional financial reporting framework; 	<ul style="list-style-type: none"> ◆ Examining key aspects of financial statements for forming their opinion; ◆ Issuance of unqualified opinion if financial statements are free from material misstatement; ◆ Report should be in writing; ◆ Report should have a title; ◆ It should be addressed as required by the engagement; ◆ It should have an introductory paragraph; ◆ Roles of the management should be mentioned; ◆ Auditors' responsibilities

	<ul style="list-style-type: none"> ◆ The report should contain opinion of auditors; ◆ Fulfilment of other reporting responsibilities; ◆ Report should be signed; ◆ It should contain name and address of auditors; ◆ Report should be dated; ◆ If reporting is done as per any other standard, it should be mentioned; ◆ Reporting on comparative financial information; ◆ Performance of necessary procedures for reporting comparative financial information; ◆ Taking appropriate procedures if prior period accounting information is audited by predecessor auditor or not audited at all; ◆ Giving opinion on information which is not required as per applicable financial reporting framework. 	<ul style="list-style-type: none"> ◆ Description of certain matters when the company use UK Corporate Governance Code ◆ Reporting on regularity of financial statements; ◆ Providing opinion on financial and non-financial information separately; ◆ Reporting opinion on directors' report; ◆ Putting date and location to the report; ◆ Signing the report. 	<p>should be specified;</p> <ul style="list-style-type: none"> ◆ The report should contain opinion of auditors; ◆ Fulfilment of other reporting responsibilities; ◆ Report should be signed; ◆ It should contain name and address of auditors; ◆ Report should be dated; ◆ If reporting is done as per any other standard, it should be mentioned; ◆ Reporting conflicts arising out of auditing a financial statements as per SASs and ISAs; ◆ Reporting opinion on supplementary financial information which is not required as per applicable financial reporting framework.
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[Source: SAS 122 (AU C 210), SAS 122 (AU C 300), SAS 122 (AU C 500), SAS 122 (AU C 530), SAS 122 (AU C 230), SAS 122 (AU C 700), ISA (UK and Ireland) 210, ISA (UK and Ireland) 300, ISA (UK and Ireland) 500, ISA (UK and Ireland) 530, ISA (UK and Ireland) 230, ISA (UK and Ireland) 700, SA 210, SA 300, SA 500, SA 530, SA 230, SA 700]

Inferences based on Table 1

Audit engagement is governed by SAS-122 (AU-C 210), ISA (UK & Ireland)-210 and SA-210 in USA, UK and India respectively. The applicable standard states that the preconditions of auditing must be fulfilled before accepting an engagement. If management does not allow free access to information, the auditor should discuss the matter with them. If any limitations in the preconditions are found, the auditor may discuss the matter with management. In USA, the auditor is also required to communicate with predecessor auditor before accepting an engagement. But this is not a necessary condition in other two countries. In all three countries, the standard requires the auditor to agree with the terms of engagement and should not change it unless there is sufficient justification to do it. In case of recurring audit, the terms of engagement should be revised. The standard in UK and India says that if financial statement is prepared in accordance with two financial reporting standards, the auditor should evaluate whether there is any conflict between them before accepting the engagement. If the financial reporting framework is misleading or if the form and content of audit report is not according to the applicable standards, the auditor should not accept the engagement. But these provisions are not applicable in USA where the regulation requires a statutory auditor to decide on the form and content of audit report if the governing regulation is something other than Generally Accepted Auditing Standards (GAAS).

The auditing standard on the basis of which statutory auditor plan their audit procedures in USA, UK and India are SAS-122 (AU-C 300), ISA (UK & Ireland)-300 and SA-300 respectively. In all three countries, key members of the engagement team should participate in the planning process. They should perform preliminary engagement activities and formulate the overall audit strategy and audit plan. In case of initial audit engagement, the auditor should also communicate with predecessor auditor. In UK and India, there is a requirement of documenting overall audit plan which is not required in USA. In USA, determining requirement for auditor's expert comes under planning process which is not the case in other two countries.

The standard governing collection of sufficient and appropriate audit evidences in three countries are SAS-122 (AU-C 500), ISA (UK & Ireland) 500, and SA-500. In all three countries under consideration, the

auditor should design their audit procedure to collect sufficient and appropriate evidences and evaluate relevance and reliability of the information so collected. If information from two different sources is giving different results, the auditors should decide appropriate actions. In addition to these requirements, in UK and India, statutory auditors are required to select an item judiciously for test of control and test of details.

The statutory auditor in USA, UK and India determine audit sample on the basis of applicable auditing standard in the country, SAS-122 (AU-C 530), ISA (UK & Ireland) 530 and SA-530 respectively. Requirements of the applicable standards with respect to audit sampling in all three countries are almost same. In each of these countries, the auditor should assess the nature of audit procedure before selection of sample. It should perform audit on each item of the sample selected. If there is any inconsistency in the sample, its nature and cause should be investigated. The result of sample is projected for the entire population. The auditor in all three countries should evaluate the conclusion reached based on sampling risk.

The governing standard for maintaining audit documentation in USA, UK and India are SAS-122 (AU-C 230), ISA (UK & Ireland)-230 and SA-230. As per the provisions of the governing standards, in all three countries statutory auditors are required to document all key aspects relating to auditing in audit documents on a timely basis. If the auditor departs from any mandatory requirement or if there is any event after the publication of audit report, it should also be notified in the audit documents. In all three countries, statutory auditors are required to gather audit files before audit report release date. In USA, audit documents are required to be retained for 5 years. In India, this period is 7 years. But, in UK, the retention period is not specified.

The process of drawing up the audit report is guided by the applicable professional standards. In USA, UK and India, the governing standards audit report are SAS-122 (AU-C 700), ISA (UK & Ireland)-700 and SA-700 respectively. The provisions of auditing standards in USA and India are almost similar. However, the auditing standard in UK is drawn on a slightly different line. All the standards require statutory auditors to evaluate the financial statements and form their opinion on the financial statements. If the financial statements are free from material misstatement, the auditors issue an unmodified report and vice versa. In USA and India, the report should be in writing. They are structured as, title, address, introductory paragraph, responsibilities of the auditor, opinion of auditors, location, date and signature of auditor. The auditor should also fulfil other reporting responsibilities over and above applicable auditing standards. If reporting is done in accordance with any other standard, that fact should be specified. In India, if reports are prepared in accordance with both SAs and ISAs, conflicts arising out of it should be reported. The Indian standard also mandates reporting on financial and non-financial information in the audit report. In USA, the standard requires an auditor to give their opinion on comparative financial statement. The auditors are required to fulfil necessary procedure to report on this issue. If prior period financial statements are audited by predecessor auditor or are not audited at all, the auditor should take appropriate procedure. In UK, the structure of audit report is bit different (title – address – representation from those charged with governance – scope of audit – audit opinion – date, location and signature of auditor). In addition to the usual reporting responsibilities, statutory auditors in UK are required to report their findings if financial statements are prepared as per additional reporting framework and if the company complies with UK Corporate Governance Code. The auditor in UK should also report on regulatory aspects of financial statements. Opinion on financial and non-financial information should be disclosed separately. Finally, opinion on directors' report also comes under the purview of reporting responsibility in UK.

5. Conclusions

The audit process starts with accepting an engagement. An auditor after getting engagement enquires into the internal control framework of the company and devises a comprehensive plan for collection of sufficient and appropriate evidences to form their conclusion on financial statement and draw the audit report. Based on the nature and scope of audit procedure, audit sample is decided and the entire procedure of auditing is documented time to time which is retained for subsequent audit engagement. The process of auditing as described is almost same in different developed and developing countries under study. However, due to differences in the governing standards, some minor dissimilarity is observed among countries. The current study is a comparative analysis of a few auditing standards governing select audit procedures in USA, UK and India. As the standards are devised keeping in mind the international requirements, the basic structure of the comparable standards are almost same. Among them, the standards for audit engagement, audit planning, and audit evidences in UK and India are to some extent different from that of USA. From their provisions, it seems that the standards in UK and India are more comprehensive than that of USA. The requirements for audit sampling are same in all three countries under consideration. However, the prerequisites for audit documentation are more comprehensive and enforcing in India than other two countries. While considering audit report, it is diagnosed that the standards of USA and India are more similar than that of UK in terms of structure of audit report and other reporting requirements. However, it can be stated that Indian regulations are not lagging behind its international counterpart. However, a proper enforcement of these regulations is absolutely necessary to achieve quality of audit.

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