

# Impact of Auditor Rotation on Audit Quality in India

Ilton cutinho

## Abstract

The mandatory rotation of auditors which is institutionalised in Section 139 of the Companies Act, 2013, is a paradigm shift of the corporate governance architecture of India. This regulatory intervention is to break the cosy nexus between auditors and management by requiring individual auditors to be rotated after five years and audit firms after ten years in classes of companies with prescribed rotation requirements. This term paper is a comprehensive qualitative study of the effects of this requirement on the quality of audit in the Indian setting. Through the use of a strict qualitative research design based on the thematic analysis of regulatory inspection reports, judicial orders and academic literature between the years 2014 and 2025, the research question that will be addressed is whether the legislative purpose of a fresh look has been adopted into material advances in financial reporting reliability. The study heavily relies on the 2023-2025 Audit Quality Inspection Reports (AQRR) by the National Financial Reporting Authority (NFRA) that find numerous repetitive and systemic patterns of undermined independence, inadequately prepared documentation, and the inability to test Related Party Transactions (RPTs) despite the rotation regime. The results indicate that there is a certain paradox: on the one hand, rotation has effectively broken established tenure; on the other hand, there is no guarantee of increasing the level of professional skepticism. Rather, structural impediments, namely the ubiquitous power of audit network affiliations, the offering of non-audit services which are prohibited, and the so-called competence gap of the initial years of a new engagement still hamper the quality of the auditing. This paper concludes that though Mandatory Auditor Rotation (MAR) is a legitimate structural protection, it cannot act as a panacea on its own and a cultural change toward quality-focused assurance rather than the compliance-based auditing paradigm is needed. They are followed up with practical implications to regulators, audit committees and practitioners and imply that the enforcement capacity of NFRA should be enhanced and that the frameworks governing audit networks should be revisited.

**Keywords:** Auditor Rotation, Audit Quality, Companies Act 2013, National Financial Reporting Authority (NFRA), Auditor Independence, Corporate Governance.

## 1. Background of the study

The basis of the effective capital markets is the integrity of financial reporting, as the main mechanism of closing the information asymmetry between the corporate management (agents) and shareholders (principals). The external auditor in this type of ecosystem would be a critical gatekeeper and charged with the role of the provision of reasonable assurance as to the verity of financial statements. But the history of corporate finance around the world is marred, however, by the disastrous audit failures of the Enron and WorldCom scandals of the United States and the Satyam Computer Services scandal of India

that have fuelled a sense of vulnerability with regard to the auditing profession as a whole-familiarity threat, which can lead to an overly close relationship between auditors and management.

The Satyam scandal of 2009 became a watershed event in the Indian context. The scandal, often referred to as the Enron of India, was a massive inflating of cash and bank balances, which remained unnoticed by statutory auditors who had served the company throughout more than a decade.<sup>2</sup> The scandal caused a complete overhaul of the legislation, resulting in the adoption of the Companies Act, 2013. One of the highlights of this legislation was the Section 139 which came up with the concept of Mandatory Auditor Rotation (MAR). In contrast to the United States where merely the lead engagement partner is required to be rotated by the Sarbanes-Oxley Act (SOX), India has been more forceful with its requirement of rotation of the audit firm itself.<sup>3</sup>

Under Section 139(2) Companies Act 2013 and Rule 5 companies (audit and auditors) Rules, 2014, listed companies, and some categories of unlisted companies are not permitted to appoint or re-appoint:

The auditor of an eighteen consecutive year or more, serving a term of five or more.

Being auditor with terms exceeding 2 terms of five consecutive years (a total of 10 years).

Moreover, the law has a five-year cooling-off period whereby the current auditor (or any other company in the same network) cannot be rebranded. This regulatory system was clearly formed to sever the nexus between auditors and management and hence adding a fresh pair of eyes to examine the financial statements and improve audit quality.

## 2. Problem statement

Even though since more than 10 years ago, mandatory auditor rotation has been enforced in India (the initial full round of rotations has ended in 2017), the expected improvement in audit quality is still a domain of heated discussions and thorough attention. Although the regulation has effectively implemented the mandatory turning of firms, the latest regulatory reviews by the National Financial Reporting Authority (NFRA)-India independent audit regulator that was formed in 2018 have indicated recurrent and material shortcomings in the work of large audit firms.<sup>6</sup>

The main issue is the lack of connection between the regulatory purpose of Section 139 and the empirical fact of the audit practice. Inspection reports of 2023-2025 indicate that even fresh auditors frequently do not identify material misstatement, especially in such complicated sections as Related Party Transactions (RPTs) and impairment testing.<sup>8</sup> This effect of persistence of audit failure indicates that rotation is not necessarily the panacea it was initially projected to be. Instead, it can be bringing new risks, including the loss of client-specific knowledge (the competence gap) and price wars (lowballing) in the tendering exercise and restricting the resources that can be used to provide a quality audit, which then avoids the spirit of independence.

## 3. Research gap

The literature that exists on auditor rotation in India is majorly quantitative. Among the proxies that have been used to measure audit quality by using archival information include discretionary accruals, audit fees and modified audit opinions. Although such studies have offered valuable statistical relationships, they rarely measure the finer, procedural and behavioural processes that result in audit failure. Qualitative

studies based on the in-depth interrogation of the black box of the audit process in the post-rotation stage are lacking.

In particular, there exists scarce scholarly literature that assimilates the granular and qualitative results of the NFRA inspection reports in the theoretical discussion of the subject of auditor rotation. The majority of the literature comes before the development of the NFRA or uses perception-based surveys instead of the actual evidence presented in audit working papers, which is why the current study fills this important gap by offering a qualitative document analysis of regulatory inspection reports and expert commentaries to offer a thick description of the audit quality state in India. It goes beyond the issue of rotation and quality to investigate how and why certain quality deficiencies remain despite rotation.

#### **4. Objectives of the study**

To analyse the theoretical basis of the Mandatory Auditor Rotation (MAR) and the impact it is set to have on auditor independence and competence under the Indian system of corporate governance.

The purpose of the analysis is to extract and discuss the qualitative data of the National Financial Reporting Authority (NFRA) about audit quality shortcomings, particularly in the case of the 2023-2025 auditing cycle.

To explore the organisational issues related to the rotation of auditors, such as the loss of the knowledge spillover and the effects of the affiliation with an audit network on its independence.

To assess the efficacy of Section 139 of the Companies Act, 2013, in averting the danger of familiarity because of the dangers of the competence gap during the first years of engagement.

To present viable recommendations on policies to be implemented by regulators and practitioners to improve the effectiveness of the auditor rotation regime.

#### **5. Research questions**

What are the regulatory reasons behind compulsory auditor rotation based on the Agency and Inspired Confidence theories in the Indian situation?

What are the current qualitative themes and systemic weaknesses that the NFRA found during the recent observations of the major audit firms after rotation?

How do audit network structures and non-audit service provision relate with rotation requirements to affect the spirit of auditor independence?

Is there qualitative support or does it disapprove the fresh look hypothesis or does it disapprove concerns over lesser auditor competence and documentation rigour in the transition years?

How can the NFRA and ICAI implement the current auditor rotation framework to fill the gaps in the implementation?

#### **6. Significance/relevance of the study.**

The study is of utmost relevance to various interested parties in the Indian financial ecosystem. As a policymaker and regulator (MCA, NFRA, SEBI), the results provide an empirical evaluation of the effectiveness of Section 139, pointing to several instances where the enforcement should be stricter (e.g. network definitions). To audit practitioners, the stepwise examination of the findings of the inspections is an essential learning instrument to observe the pitfalls in the documentation and independence adherence. In the case of audit committees and audit boards, the study offers information on the risks involved in

changing auditors so that it aims at regulating the process of appointing auditors. Lastly, to the academic community, the study can add to the small qualitative literature on the quality of auditing in emerging markets by disproving the prevalence of quantitative models and providing a more comprehensive view of the relationship between the auditor and the client.

## 7. Review of Literature

The argument on auditor rotation is pegged on various theories of corporate governance and auditing, which act as a prism through which the need and the dangers of rotation can be assessed.

**Agency Theory:** Agency Theory was theorized by Jensen and Meckling (1976), according to which there is the basic conflict of interests between the principals (shareholders) and the agents (management) because of the agency problem.<sup>12</sup> Information asymmetry enables managers to act in a way that is opportunistic. The external audit is a controlling measure to minimize such agency costs. In that regard, the rationale behind the mandatory rotation of auditors is sound, since over time the auditor might become captured by the agent (management), and this can be prevented by mandatory rotation of auditors. The long tenure is considered to create an atmosphere of coziness between the monitor and the monitored hence undermining the worth of the audit to the principal.<sup>18</sup>

**Theory of Inspired Confidence:** This theory, formulated by Theodore Limperg (1932), implies that the role of auditors consists in the confidence to the reliability of the presented audit opinion by society as well as in the illusion of such a confidence as evidenced by the auditors.<sup>20</sup> When it becomes known to the population that an auditor has a long relationship with a client (such as decades), the appearance of independence is ruined, despite the fact that the independence may be real. Rotation is used to reestablish and preserve this inspired confidence by giving an indication to the market that the audit relationship is not stagnant.

**Knowledge Spillover and Learning Curve Theory:** Unlike the pro-rotation theories, the Knowledge Spillover Theory assumes that auditors will gain client-specific expertise with experience and this phenomenon will increase audit quality because the new auditor is more familiar with business, system and risk of the client. In this respect, compulsory rotation would cause a repetitive loss of institutional memory, which may reduce the quality of audits in the transitional years - a loss versus fresh eyes or competence.

**Stewardship Theory:** In contrast to the Agency Theory, Stewardship Theory presupposes that managers intrinsically are motivated to act in the best interests of the organisation and its stakeholders.<sup>26</sup> In that sense, the adversariality of rotation is not necessary. Rather, the long auditor tenure is regarded as an advantage since it builds a trusting relation that enables the free flow of information which permits the auditor to have a better understanding of the business model without friction of the Agency Theory.

- Scholarly and practical auditor rotation literature has determined a dilemma of perspectives that is frequently dichotomised between the fresh-lookers and the competence-losers.
- **International Case Studies:** The international case studies present inconclusive evidence. The study of the Italian market, where rotation has long been compulsory, conducted by Cameran et al. (2014) revealed that rotation is associated with substantial switching costs and does not always result in better auditing performance, making the market concentrated as a consequence.<sup>28</sup> Harris and Whisenant

(2012) clarify that rotation can minimise the auditors' economic reliance on the customer, so partner rotation would be preferable.

- The Indian Context (Pre-Mandate): Pre-Mandate There is some pre-mandate evidence that the regulatory assumption that long tenure is always bad may not have applied universally into the Indian market.<sup>13</sup> The pre-mandate results of Jadiyahappa et al. (2021) analysed Indian firms between 2001-2015 and determined that the longer the auditor tenure, the higher the audit quality, which supported the learning curve theory.
- The Indian Context (Post-Mandate): This implication of Section 139 led to a new wave of research. In an early evaluation, Narayanaswamy and Raghunandan (2019) reported that the required rotation did not have a significant effect on the quality of audits.

## 8. Hypothesis

Since the present study is qualitative, no particular statistical hypotheses will be constructed. Rather, the research is informed by the Research Questions/Questions in Section 1.5.

## 9. Research Methodology

### Research design

In this research, I have taken an Exploratory and Descriptive Qualitative Research Design. The complexity, behavioural and regulatory nature of audit quality has necessitated a qualitative design since the study focuses on the how and why of the audit quality challenges in the post-rotation period, which can be best addressed through qualitative-design based research to be able to reveal the systemic themes and nuances that are not necessarily detectable through statistical proxies (such as discretionary accruals).

### Population and sample

The target population of the current study consists of the whole regulatory and professional discussion of audit quality in India since the global adoption of the Companies Act, 2013.

The sample to be analysed in detail is purposive and it consists of:

Regulatory Instruments: Companies act 2013 (Sections 139, 140, 144) and applicable NFRA Rules.

Inspection Reports: A targeted sample of seven (7) key NFRA Audit Quality Inspection Reports that were issued between late 2024 and early 2025. These reports report on leading audit firms such as BSR and Co. LLP, Deloitte Haskins and Sells LLP, SRBC and Co LLP, Price Waterhouse Chartered Accountants LLP, Walker Chandiook and Co LLP, Lodha and Co LLP and MSKA and Associates.<sup>10</sup>

Scholarly Articles: A selected list of 45+ peer-reviewed studies on Indian audit market published in 2014-2025.

Professional Commentary: Professional opinions and articles in the journal, The Chartered Accountant, and other professional organizations concerning difficulties in practice of rotation.

### Sampling technique

The choice of the specific NFRA inspection reports and academic articles was made using Purposive Sampling. The criteria of the selection of the inspection reports included the status of the Big Firm, and the relevance of the reports (2024-2025 cycle) so that the data would represent the situation with the

current state of the audit quality once the entire rotation cycle is implemented. In the case of literature, articles were chosen concerning the relevance to Indian context and publication in high impact journals.

## Research detailed description

The research is based on the Secondary Data mostly.

Regulatory Data: The entire text of Inspection Reports, Circulars and Orders<sup>6</sup> was obtained by accessing the official site of the National Financial Reporting Authority ([nfra.gov.in](http://nfra.gov.in)).

Legal Documents: The Companies Act 2013 and ICAI Standards on Auditing (SAs) were identified by using official gazettes and ICAI publications.

Academic Databases: Databases like ResearchGate, Emerald Insight and Taylor and Francis were used to identify research papers with a filter related to keywords like “Auditor Rotation India, Audit Quality and Mandatory Audit Firm Rotation.

## Tools/instruments used

The main instrument of the qualitative study, which was based on a document, was a Document Analysis Protocol. In this protocol, the chosen articles and reports were systematically read and data concerning the given topics like independence, documentations, RPTs, and rotation effects were extracted. No primary questionnaires or interviews had to be carried out as audit engagement files are sensitive and confidential.

## 10. Methods of data analysis

Thematic Analysis was used to analyse the data collected (Braun and Clarke, 2006). This included the following 6 steps:

- Familiarisation: Reading and re-reading the NFRA inspection reports and academic papers to get the scope of the issues.
- Coding: Determination of certain issues occurring frequently (e.g. lack of independence, RPT verification failure, blank sign-offs).
- Generation of themes: Organising these codes into larger themes (e.g. The Independence Paradox, Structural Impediments to Quality).
- Themes: Verifying whether the themes are working in relation to the coded extracts and the entire data.
- Defining and Naming Themes: Expanding the details of each theme in order to narrate the story.
- Report: Coming up with the final report based on the analysis.

Source: Synthesised out of NFRA Inspection Reports.

## 11. Analysis and findings

Note: In this case, because it is a qualitative research, we will refer to Statistical Analysis as the interpretative analysis of the qualitative points of data that are above.

The thematic analysis of data indicates that there are four prevailing themes that describe the effect of auditor rotation on the quality of audit in India.

Audit Firm	Inspection Report Date	Key Qualitative Findings / Deficiencies	Theme Identified
Walker Chandniok & Co LLP	March 28, 2025	Failed to fully recognize network relationship with Grant Thornton (GT). Network firms provided prohibited non-audit services (tax advisory) to audit clients.	Independence Paradox
SRBC & Co. LLP (EY Network)	March 27, 2025	Independence policies failed to recognize relationship with EY Global. Prohibited advisory services provided by network firms. Fee imbalance (non-audit fees > audit fees).	Independence Paradox
BSR & Co. LLP (KPMG Network)	Dec 19, 2024	Failed to identify "red flags" in a ₹550 crore RPT transaction with a promoter entity. Overlooked "arm's length" verification.	Competence Gap (RPTs)
Price Waterhouse (PWCA)	Feb 14, 2025	Significant deficiency in verification of RPTs and arm's length price testing. Insufficient documentation of testing procedures.	Competence Gap (RPTs)
MSKA & Associates	Jan 02, 2025	Audit files signed off with blank spaces. Modifications made to files after audit completion without proper protocols. Retrospective creation of independence memos.	Documentation Integrity
Lodha & Co. LLP	Dec 19, 2024	Reliance on paper-based documentation created integrity risks. Inconsistent independence declarations across branches.	Documentation Integrity

### **The Independence Paradox and Network Structures.**

Among the most widespread results of the NFRA reports is the abuse of auditor independence that is usually aided by sophisticated network designs. Even though the signing firm is swapped, the essence of being an independent company is often undermined.

Observation: It was specifically observed by the NFRA that such companies as SRBC & Co. LLP and Walker Chandiook and Co LLP did not entirely acknowledge their network relationship with global companies in their independence policies (EY and Grant Thornton, respectively).

Interpretation: This enabled network entities to offer Non-Audit Services (NAS) to audit clients which is a direct breach of the Companies Act, 2013, Section 144. An example can be given of an overseas affiliate firm of a network offering tax advice services to a subsidiary of an Indian audit firm. The auditor who is rotated is, hence, still economically and structurally linked with the client through the broader web, which inhibits the advantages of rotation of independence. This finding by the NFRA describes this as the most alarming issue.<sup>8</sup> This finding questions the effectiveness of the rotation in the event that the economic entity (the network) has a consulting relationship.

### **RPT Scrutiny of the Competence Gap.**

One of the most crucial areas that the new auditor with a fresh look is likely to provide value is in the area of identification of undisclosed or irregular Related Party Transactions (RPTs). In theory, a new auditor is supposed to be less submissive to the explanations of the management.

Observation: The inspection reports show systemic failure in the verification of RPTs. Auditors often did not consider whether transaction was at arm length. Particular cases included BSR & Co. LLP ignoring red flags in a large deal involving a promoter organization <sup>8</sup>, and the mention of PwC affiliates in the list of inadequate documentation of arm-length pricing.<sup>42</sup>

Implication: This implies that the Auditor Competence in respect to the client specific risk does not necessarily improve with rotation. The Knowledge Spillover Theory seems to be valid in this case: novice auditors who have no adequate background of understanding the intricate web of entities that the promoter has created over the years may not be as effective at identifying RPT irregularities in the first few years as a long-term auditor. In other words, it points at the breakdown of professional skepticism in culture that cannot be addressed without rotation.

### **12. Documentation and the Tick-Box Culture.**

Quality auditing is demonstrated by sound documentation. The change of auditors should be accompanied by the ideal rigorous re-documentation of the systems and controls.

Observation: It was reported that audit files were usually not complete, modified after the audit report was signed, or signed with blank spaces (e.g., MSKA & Associates, Lodha and Co.).<sup>8</sup>

Interpretation This is an indication of a shallow compliance culture. The rotation of auditors is there, but the intensity of the audit process does not improve. This type of altering files after auditing (without re-sign-off procedures) is a highly detrimental incidence to the credibility of the audit evidence. It indicates

that rotation may be causing time pressures or resource strains (through the lowballing of fees to acquire new mandates) which causes auditors to corner cut documentation.<sup>43</sup>

### 13. The Inadequacy of Testing Internal Controls (IFC)

It is anticipated that with the change of auditors, Internal Financial Controls (IFC) would be re-assessed in a strict manner.

Observation: Companies were accused of neglecting or insufficiently falsifying controls over risky areas such as recognition of revenue and impairment of assets.<sup>8</sup>

Interpretation This failure is dramatic. Internal controls should be more questionable to a new auditor rather than less. That these controls are not tested also indicates that new auditors could be over-relied on the management representations, or on the work of prior auditors without adequate independent verification, thus frustrating the fresh look objective of rotation.

### 14. Findings/ Results Summary

The overall qualitative analysis of regulatory reports and academic sources draw the following decisive results on the influence of auditor rotation on audit quality in India:

Rotation Is Necessary but Not Sufficient: Although Section 139 has effectively severed decades-long relationships between auditors and their clients (some dating back to the 1970s), it has not necessarily increased the quality of the audit. The loss of client-specific knowledge and the competence gap during the first years of engagement usually negates the fresh look advantage, <sup>13</sup>.

Structural Evasion of Independence: Audit network structures are big killers of the effectiveness of rotation. The global and local networks also enable associate companies to render non-audit services to audit customers which is an economic relationship that rotation was supposed to break. The 2024-2025 inspections by the NFRA attest that it is a widespread system-wide problem.<sup>10</sup>

Remanence of Professional Skepticism Deficit: The repetition of RPT verification failures in several large companies suggests that an auditor identity change does not presuppose an auditor behavior change. Professional skepticism is another area of cultural issues that has not been resolved through regulation.

#### **Weakness of Documentation:**

The evidence of extensive bad quality of audit documentation (blank sign-offs, post-facto changes) indicates that the firms are grappling with the administrative and procedural load of audits, which may be exacerbated by the fee pressures of getting new rotation mandates.

**Agency Theory Confirmed:** The results confirm the interest of Agency Theory that the agents (management) will exploit monitors. The management is still able to influence the auditors by involving network affiliates to consult them or by putting pressure on the fee, irrespective of the mandatory rotation mechanism.

### 15. Discussion

Comparison with past research.

The results of this research are echoed in the literature of skepticism that prevails in the world. This study is similar to Cameran et al. (2014) in Italy, which determined that mandatory rotation incurs high transition costs without any certain improvement in quality; on the contrary, this study reveals that the reality of

rotation closely resembles their experience. The results also align with Narayanaswamy and Raghunandan (2019), who stated that MAR had not achieved its intended goal in the short-term; one can argue that their findings were not fully representative of the theoretical proof. Nevertheless, this study is unlike the previous pre-mandate studies

### **Explanation of findings**

The Knowledge Spillover Theory can be applied to the explanation of the persistent quality issues. The inability of new auditors to notice the RPT anomalies is an indication that client-specific knowledge is a precious asset. By destroying this asset by rotating it will leave a window of vulnerability where the management can take advantage of the ignorance of the new auditor. Moreover, the Independence Paradox, which has been witnessed in network firms point to the fact that the definition of auditor in the regulations must be stretched to include the whole economic network to be useful.

### **Implications in theory and practice.**

**Theoretical:** The theory perfects the Agency Theory in India. The Principal-Agency problem is frequently one pitting the Majority Shareholders (Promoters) and Minority Shareholders in a promoter dominated economy. The promoter places pressure on the auditor who is practically appointed. Rotation merely changes the individual who is put under pressure but does not eliminate the cause of the pressure.

**Practical:** In case of Regulators (NFRA/MCA), it is necessary to think not about the operations of rotation but about the quality of the new engagement. The inspections are to be directed when it comes to Year 1 and Year 2 audits and the risk of knowledge gaps is the greatest. In the case of Audit Firms, investment on onboarding protocols is much needed. Client integrity checks at the network level (as in the case of the Walker Chandio) are not a good enough spot.

## **16. Conclusion**

Section 139 of the Companies Act 2013 on the mandatory rotation of auditors was an audacious corporate governance experiment that was to tear down the nexus between management and auditors. The paper is a rigorously analysed qualitative study based on the examination of NFRA inspection reports and scholarly sources, which determined that, although the regulation has achieved its procedural objective of churning auditors, it has not met its substantive objective of ensuring high-quality audit.

Fresh look hypothesis has been put to reality test against the competition gap and network structural challenges. The ubiquitous nature of breach of independence by network affiliates and lack of strength in scrutinising transactions involving related parties is a pointer that rotation is a sufficient but not an adequate factor of audit quality. Real quality comes out of a tradition of doubt, very strict observance of standards and actual independence qualities impossible to enforce by simple change of letter-head. With the maturing of the corporate sector in India, the emphasis of regulatory focus needs to be shifted towards how the audit is conducted, rather than who audit report is signed and the supervision of audit processes, integrity of the documentation and total discontinuation of the non-audit relationship is emphasised.

## 17. Suggestions / Recommendations.

On the findings, the stakeholders are proposed the following practical recommendations:

**Enforce more Independence Rules:** The Companies Act and code of Ethics definition of network and affiliate should be tightened to include all the indirect relations and non-audit services. The network and not only the firm should be covered by the cooling-off period to eliminate the so-called revolving door of services.

**Compulsory Joint Audit of Large Entities:** To reduce the knowledge loss associated with rotation, India could think of compulsory Joint Audit of large Public Interest Entities (PIEs). It can be used to have staggered rotation wherein one auditor has institutional memory and the other has a fresh look or balanced the trade-offs.

**Standardised Handover Protocols:** The regulators are advised to design a comprehensive standard of the process of handover between the predecessor and the successor auditors (not only the existing NOC communication), but formal transfer of essential risk knowledge and RPT history should be provided to close the competence gap.

**Audit Fee Floor:** To avoid the problem of lowballing of rotation tender that leads to quality compromise, the ICAI or NFRA may consider guidelines of minimum audit fee based on asset size/complexity to ensure that new auditors have the resources to carry out a proper audit.

**Improved AQIs:** Audit Committee's ought to report quantitative Audit Quality Indicators (AQIs) (e.g., hours spent by partners, use of specialists) to the shareholders, and making the quality of the audit an observable parameter in the appointment process.

## 18. limitations and scope.

### Limitations

It is a qualitative study with secondary data (regulatory reports and literature) as its source of information. It lacks first-hand interactions with auditors/audit committee members because of the confidentiality of such interactions. The results of NFRA reports, as well as in-depth, are limited to a set of large firms and might not be entirely applicable to small and medium-sized audit practices (SMPs) in Tier-2/3 cities.

### **19. Scope for future Study**

Longitudinal Analysis: Future studies may follow the quality audit indicators of particular companies through a 10-year cycle (two full rotation terms) to determine whether the quality becomes stabilized following the initial transition shock.

Influence of Joint Audits: With the current trend of joint audit (particularly in financial sector), it would be interesting as a comparative study to find out the quality of auditing in joint and sole audit cases in India.

Perception Study: The independent directors and CFOs: A primary survey on their experience with the rotation process would be beneficial complement to the perception of the regulator. In particular, the disruption vs. value-add.

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