

'Auditor rotation picks up momentum'

New Delhi, Sept 19: Auditor rotation as mandated by the law has picked up momentum, with as many as 152 National Stock Exchange (NSE)-listed companies having changed their auditors in the current fiscal year so far, says a report.

Besides, 178 NSE-listed firms made changes during fiscal year 2015-16, said Pranav Haldea, managing director of PrimeDatabase. Beginning April 1, 2017, companies will have to appoint a new statutory auditor in case the current auditing firm has been associated with the company for 10 consecutive years or more, according to the Companies Act 2013. The move is aimed at reducing the risks of excessive familiarity and bring in much-needed transparency into the auditing process.

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"From 2013-14 to 2014-15, auditor changes were seen in 171 companies, from 2012-13 to 2013-14 in 141 companies, from 2011-12 to 2012-13 in 141 companies, from 2010-11 to 2011-12 in 142 companies and from 2009-10 to 2010-11 in 141 companies," Haldea said.

The Big 4 audit firms — Deloitte, EY, KPMG and PricewaterhouseCoopers — collectively handled 401 assignments of 1,519 companies, which is 26% of the total share. Their dominance was even stronger in the Nifty-500 subset wherein they handled 234 of the 500 audits, or 47% of the total audits.

The top 10 audit firms accounted for the audit of 549 companies, or 36% of the total. Deloitte was the top auditing firm in 2015-16 with 158 companies followed by EY (114), KPMG (66) and PwC (65). The analysis is based on auditors in all 1,520 NSE-listed companies for the financial year 2015-16. On an overall basis, as many as 830 audit firms audited the 1,519 NSE-listed companies in 2015-16. This implies that, on an average, an audit firm audited 1.83 firms. In line with the regulations around auditor rotation, which kicks in from April 1, tenures of 99 auditors in 94 firms will expire in the next financial year and 172 auditors in 168 companies in 2018-19.

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