

## Accounting Firm Audit Quality Control Research

Jiarui Di

School of Economics and Management, Shanghai Maritime University, Shanghai, China

dijiarui0711@163.com

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*Abstract: Since the new century, the development of international auditing industry has been very rapid. Along with the development of cloud computing and mobile internet, along with the popularity of electronic invoices and online payment, industry finance will be automatically integrated. In recent years, the professional certification system of certified public accountants has been initially established. The management level and work quality of small and medium-sized accounting firms are constantly rising, and their role and impact in the economic market are also growing. It should be acknowledged that many small and medium-sized firms have many problems in their auditing. Small and medium-sized accounting firms have established adequate and effective audit quality control due to fierce competition in the audit market, insufficient resources of the firms themselves, and unfavorable external operating environment. The system is an important measure to ensure that the firm provides high-quality audit services for its audit clients. Therefore, for small and medium-sized accounting firms, it is the basis for upgrading their audit business quality standards and enables them to provide better services to their clients. The number of auditing firms in China's accounting firms has soared. The strong demand of corporate investors for information on global capital markets has led to an ever-widening range of services provided by accounting firms. At the same time, the state promotes corporate social responsibility and auditing of social responsibility reports are also particularly important, so the quality of audit work must be guaranteed. Aiming at the current situation of the auditing quality control of accounting firms, we pointed out that the auditor's pattern thinking is difficult to break down, the comprehensive analysis ability is poor, the process of updating auditing knowledge is slow, and there is a negative emotion, and the ability to control auditing risks needs to be improved. The problem has analyzed the firm's own reasons and external causes. In response to the above issues, it has proposed corresponding countermeasures and recommendations: First, to conduct peer review and rotate the positions of auditors; second, to disclose audit fees and carefully select audit clients; third, to conduct internal audits in a timely manner training, strengthening auditors' ability to practice and ethical aspects, fourthly, formulating policies and procedures for regulating the behavior of certified public accountants, and fifthly, strengthen the management of audit implementation process and improve the preparation of audit reports.*

*Keywords: audit quality, audit risk, audit quality control.*

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## **1. INTRODUCTION**

In recent years, as the cornerstone of economic development, the firm has played a fundamental role in macroeconomic regulation and optimization of resource allocation and protection of public interests. With the rapid development of the CPA industry, small and medium-sized accounting firms are a large group. The basic business of an accounting firm is an auditing business. The key to a firm's healthy development is the assurance of audit quality, so the firm's survival the key to development is the control of audit quality. Users of financial statements pay more attention to the authenticity of corporate statements and the quality of audit reports provided by accounting firms. Especially in the fair value measurement model, there are more subjective judgment factors, and funds are more easily used by companies as earnings management [1]. The audit misconduct and the audit fraud cases not only caused the investors to suffer huge economic losses, but also made people question the auditing firm's audit quality. At present, big data is accompanied by the rapid development of cloud computing and mobile Internet, and it is having a huge impact on the global economy. Big data has provided new technologies and methods for modern accounting and auditing industries. Therefore, improving audit quality and increasing the transparency of accounting information have become The focus of the audit work. At present, the firm's awareness of risk responsibility is relatively weak, and it is often because of its pursuit of profits that it ignores audit quality. With the continuous development of the economy, users of financial reports are increasingly demanding for corporate financial reporting. Under the fair value measurement model, since the acquisition of fair value involves more subjective judgment factors, it is more likely to be used by corporate management personnel. With the use of earnings management, the development of information technology makes management's fraudulent means more concealed. Therefore, the quality of audits is closely watched by users of financial reports. High-quality auditing actions can increase the credibility of corporate financial reports, and thus improve audit quality. It is conducive to improving the transparency of audit information, reducing the asymmetry of information, the low quality of audits, and the continuous occurrence of audit scandals that have caused the public to lose trust in auditing, the patron saint of the economy. For a large number of small and medium-sized accounting firms, in order to survive and develop in fierce competition, the assurance of audit quality is particularly important in terms of scale, fees, management, human resources, and all aspects of large accountancy matters. The firm should formulate a cost-effective principle. Meet regulatory and industry specifications requirements audit quality control system with its own characteristics, the constant pursuit of high quality audit. The research on audit quality control is a systematic study. Auditors should develop a reasonable audit plan based on the principle of cost-effectiveness, conduct pre-audit investigations, prepare an audit implementation plan, issue an

audit report, and stipulate procedures for the transfer of audit materials [2]. Open audit results and conduct audit visits.

This paper takes the accounting firm as the research object, investigates and studies the acceptance of the auditing business in light of the actual situation, the substantive procedures in the execution of the business, the preparation of the auditing manuscript, the feedback control of the completion of the business, etc. and comprehensively analyzes the quality of the auditing work in the firm. Problems, and then put forward the corresponding countermeasures and solutions to improve the audit quality of the firm.

## **2. ACCOUNTING FIRM AUDIT QUALITY CONTROL RELATED CONCEPTS**

### **2.1 Accounting firm audit quality**

#### **2.1.1 Audit quality concept**

Quality control is an important part of the audit. To improve audit quality, we must consider the internal control structure of the company and divide it into the control environment, accounting system and control procedures. Auditors use this knowledge to identify and design risk-reporting risks in financial statements to reduce risk. The auditor also uses the method of analysis in the planning and final review of all audits. This is an evaluation of financial information.

In recent professional development, quality control is an important part of the audit. It helps to ensure that CPA practices follow appropriate standards. Since 1988, the accounting and auditing practices of AICPA's voting members required periodic independent reviews. In April 1988, the CICPA's Auditing Standards Committee responded to the concerns of the public and misunderstandings regarding the auditor and the auditor's statement of nine new auditing standards. Most of these standards are valid, and audits during the financial statements that began on or after January 1, 1989 are aimed at improving auditor performance and auditor communications. The normative revised auditor's report standard is one of the new standards to divide auditor's responsibility and auditor's work, and to ensure that the auditor provides a clearer description, in the form of the opinion of the certified public accountant And to obtain assurance of potential financial status is the test data of the company's operating results and cash flow. A statement from AICPA should be used as a guide. In addition, subjective professional judgment is also one of the participating means.

#### **2.1.2 Overview of audit quality control**

Audit quality control refers to a kind of management and control method that auditors ensure to meet the required audit quality standards at work, including total quality control and project quality control [3]. The audit quality includes the connotation and the extension. It refers to the quality of the audit and the external social benefits in the implementation of the audit. Jan Svanberg and Peter Ohman think that although from an auditor's point of view, familiar with the customer's situation is to a certain extent beneficial, but the recognition of the customer threatens the independence of the auditor . Research shows that the higher the auditors' acceptance of customers, the more likely they are to audit according to the wishes of customers

and to implement procedures that are detrimental to the improvement of audit quality. These factors, however, are controllable by the firm. Generally speaking, audit quality control is control of these controllable factors.

The quality control of the accounting firm is a key part of the internal control of the accounting firm. The overall quality control at the first level is the care and control of the project's quality control [4]. The second level of project quality control is the first level of specific control policy, the inevitable convergence and integration of the two.

Control quality is to grasp three elements. It is important that supervision and control, information recording, feedback and feedback effects are quality control, information output to the future related information, and then feedback to the basis of the organization system, quality control results feedback system Adjust methods and quality control measures, then output information and then collect feedback results.

## **2.2 Firm quality control policies and procedures**

Multi-county accounting firms review documents at least once a year and must also be updated. The company should communicate and communicate in quality control policies, procedures, and personnel. Effective communication is manifested in the following: Describe the audit quality control policies and procedures. The multi-counter accounting firm communicates that these policies and procedures are provided in writing to all professional document electronic personnel, which in turn requires each person to be familiar with and comply with these policies and procedures. It also includes program personnel who communicate with partners and explain their perspective or quality control concerns. If multiple CPA firms are engaged in the execution of the issuer's audit services, it may need to revise their quality control policies and procedures to comply with the PCAOB (Public Corporate Accounting Oversight Board) standards and reflect that the SEC (UK Securities and Exchange Commission) is applicable to the issuance of human review requirements. The quality control system in the company's quality leadership responsibility (high-level keynote) objective leadership responsibility is a quality control system that promotes internal culture-based recognition, and quality is fundamental to implementation activities. Multi-counter accounting firms should meet this goal by establishing and maintaining policies.

The company's managing partner shall assume the ultimate responsibility for the quality control system. The multi-counter accounting firm implements this policy, mainly through the following steps: Informing personnel that they have failed to comply with the company's policies, procedures, performance quality and ethical principles. It will lead to disciplinary action. The company's designated management responsibilities to allow commercial considerations to cover the quality of the implementation work, the multi-counter accounting firm implemented this policy through the following steps: Emphasize all personnel, service cost considerations and scope should not infringe the quality of work. The company should designate personnel to be responsible for the company's quality management system. Operators should have adequate experience and capabilities to identify and understand quality control issues, develop appropriate policies and procedures, and the necessary authority to implement

these policies and procedures [5]. The company's quality control documentation personnel initially review the documentation and review the company's quality control policies, procedures, and personnel. The company's training is conducted at least once a year.

**2.3 Ethical requirements related to the audit quality control of the firm**

Target-related ethical requirements, quality control provides reasonable assurance to the company, the company and its personnel comply with relevant ethical requirements and undertake corresponding professional responsibilities. The ethical requirements include independence, integrity and objectivity. To meet this goal, multiple bureau accounting firms establish and maintain policies and procedures as follows: Personnel should comply with relevant ethical requirements, such as regulations, interpretations, and rules of the accountants association, state certified public accountant society, national board of directors accounting, regulations, GAO, and other applicable regulatory agencies, implement this policy. Multi-CPAs should pass the following procedures: assign one of their partners responsibilities, deal with problems, solve problems, and determine the circumstances, consulting outside the company The source of the information is the independence, completeness and objectivity of the relevant matters. In the case of the determination, the document is suitable for solving the problem. All entities and company personnel are forbidden to have financial or business relations and all activities are required [6]. The list of entities that the professionals came to review and the activities that the entities were engaged in prohibited the personnel from obtaining unfair economic benefits. Establish standards, identify security monitoring procedures that require five years or more, or peer review previous years or the same senior talents, identify their weaknesses and audit or assurance operations. Record all guarantees of independence to eliminate threats or reduce audit risk to acceptable levels. Communication in a timely manner reveals violations of these policies and procedures, as well as taking necessary corrective actions, to resolve violations of the independence requirements of other relevant personnel. If effective safeguards cannot be applied to reduce the level of threat to an independent acceptable level.

**3. CURRENT STATUS OF AUDIT QUALITY CONTROL IN ACCOUNTING FIRMS**

**3.1 Established an audit risk assessment mechanism**

Business risk assessment is as follows:

Table 1 Accounting Firm Audit Risk Assessment Form

Evaluation Criteria	risk	Risk level
Delegate content	Involves whether the audit project is significant (assets transfer audit, IPO, ST, issue of non-standard audit opinions, etc.)	Medium or high
Financial status	Insufficient cash flow, abnormal fluctuations in profits, high asset-liability ratio	Medium or high

client status	Is it too strong for the same customer	high
Credibility	Whether there is any bad information record (recruited by the relevant government department to suspend business for rectification)	high
Operating environment	The life cycle of the audited entity (growth period, recession period) and number of competitors	Medium or high
special requirements	Whether the audit content has special requirements, and the firm accepts commissioned services for the first time	in
Audit record	Significant events in the previous audit	Medium or high

### 3.2 Main control points for auditing project risks

Table 2 Liaoning Yongxinda Certified Public Accountants Audit Project Risk Control Points

Business Process	Responsibility	Work points
Task assignment	Department head	According to the nature of the business undertaking, the workload, the overall quality of the auditors, reasonable arrangements to participate in the audit project team
Project field audit	Project manager	Responsible for audit planning, compliance testing, substantive testing, draft audit report
Three-level review	Project leader, head of department, director accountant	The person in charge of the project conducts the first-level review of the audited project, the department manager conducts the second-level review, and the chief accountant conducts a three-level review before completing the report, all forming an audit worksheet.
issue a report	Project manager	According to the actual situation and regulations issued an audit report
File Management	Project team leader	Archiving audit files
Policy monitoring	Head of Technology and Quality Monitoring Department	Concerned about the compliance of the archiving and storage of audit files and the effectiveness of the policies for monitoring and auditing quality control procedures
Audit visit fee	Department manager	Investigate customer satisfaction

#### **4. PROBLEMS EXISTING IN AUDIT QUALITY CONTROL OF ACCOUNTING FIRMS**

Observing the internal control procedures of the audited entity is not careful:

Auditing staff of accounting firms observe many internal controls in the unit. At the same time, the independence of auditing internal control personnel is difficult to guarantee, and auditors do not pay attention to compliance testing. The sampling of audit substantive procedures is not representative, and the key principles in audit procedures are not fully understood. When the accounting firm implemented cash monitoring, all the audits were performed and the monitoring process was not careful. Independence of auditors is in urgent need of reinforcement. Independence is hard to guarantee completely. Firms still have some or even audit fees, and auditors often blur the audit issues that have little effect. The professional competence of auditors needs to be improved, the implementation of alternative procedures is inadequate, and analytical procedures are not performed properly [7].

Audit quality evaluation system of the firm is not sound. The firm does not have the basic qualifications and ethical qualities of the financial personnel of the audited entity. The financial status of the audited entity in the past two years. The quality control of the firm itself, and the execution of the specific business, sexual auditing audits. The firm has not formed a complete set of audit quality evaluation system suitable for the firm, so that the audit quality cannot be effectively measured and compared. The audit return visit system has not been fully implemented, and audit reflection and summary work has not been implemented.

#### **5. ACCOUNTING FIRMS AUDIT QUALITY CONTROL PROBLEMS ANALYSIS**

Insufficient performance of quality control responsibilities: The distribution of responsibilities in the firm's quality control system is not clear, and the quality control responsibilities are not performed properly. Some auditors have concurrently held multiple positions in order to increase the number of businesses, which leads to insufficient time and patience to strictly guarantee the quality of audit work. The firm lacks an assessment of audit quality and also lacks an assessment and incentive system for auditors. Professional ethics is not perfect. The independence of auditors is difficult to guarantee. Some auditors provide audit services while providing some non-audit services. The two are cross-linked. Auditors often blur the auditing business because they protect their professionalism and reputation. Problems with the project team rotation system. Although the accounting firm has prescribed a job rotation system, it is only a dummy and has not been implemented. The firm did not expressly specify which department or staff was specifically responsible for the implementation of the job rotation system, which led to the fact that this system was not actually implemented. The audit business is not strict. The project assessment risk level is not strict and it lacks relevant regulations for risk control. Human resources management is not perfect. Because the firm is a form of limited liability company, when the audit occurs, the investor's responsibility to bear external compensation is within a certain range, which weakens the CPA's economic responsibility for audit quality [8]. Information of management work is unstructured. The accounting firm did not

introduce advanced business management platforms, targeted management of customer information, project information, business contract information, and the duration of the maintenance of contract audit files. As a result, all auditing work information was very confusing and auditors could not be high [9]. Perform audit work efficiently. Insufficient government supervision market economic environment is chaotic distortion and asymmetry of accounting information ,market supply and demand imbalance.

## **6. IMPROVE THE COUNTERMEASURES AND SUGGESTIONS FOR AUDITING QUALITY CONTROL OF ACCOUNTING FIRMS**

To strengthen quality-based corporate construction, develop a practical development strategy. The establishment of assessment and evaluation system, and effective information management, open and transparent information, will be able to stimulate the enthusiasm of the auditors [10]. Improve the firm's limited liability partnership. To Conduct reasonable allocation of human resources management ; To equipped with audit quality control personnel ,audit quality review. When reviewing the audit quality of an accounting firm, the auditing process should be carried out in accordance with the different levels of risk of the business. The implementation of the three-level review system, the review of the project leader, the review of the department manager, and the review of the partners; Pay attention to the employee's own career development and resolve the disagreement between the responsible person; Strengthen the control of project audit procedures ,improve audit project acceptance and maintenance [11]. The accounting firm adopts two-way selection of the undertaking project and applies the PDCA circulation method. Understand the audited units and industry, the nature of environmental laws and regulatory units, business risks, financial performance evaluation. Overall understanding of the internal control of the audited entity, assessment of control risks, communication of information, supervision of control activities. For risk assessment and discussion of audit plans, the audited entity manages risks, financial statements are prone to misstatement items, and measures the probability of fraud caused by fraud. Assessing the risk of material misstatement and reporting of various trading account balances, financial statement hierarchy, identification level, appoint project team members, determine professional technical standards, control the quality of specific audit operations, and review the quality control of audit projects. Focus on auditing internal monitoring. Make the firm form a complete organic linkage system to ensure that the audit work is completed efficiently and with high quality. Promote the construction of enterprise management informatization. The firm should establish an information department to provide technical support and guarantee for the effective operation of the information management system.

## **7. CONCLUSION**

The audit quality is the focus of the audit work, which affects the auditor's own professional development in the future. At the same time, it also has a guiding role for information demanders such as enterprises. At the same time, the audit quality control pursues long-term

benefits, and the integrity comes first. The quality of the auditors' practice is an important lifeline of the accounting firm, and it is the quality foundation and integrity obligation of the auditing industry to safeguard the public interest. Analyze the accounting firm's audit process through theoretical and practical methods, that is, there are problems such as the lack of strict implementation of audit work procedures, weak awareness of audit risk, low professional competence of auditors, and imperfect audit quality monitoring system, and problems arise. The reasons come from the internal management of the firm is not strict, and the other part comes from the imperfect laws and regulations of the regulatory authorities, and unfair competition in the external market. In order to solve the problem of audit quality from the source, it must be resolved from both inside and outside. Through analysis, the following conclusions are drawn. The executives of the accounting firm should establish awareness of audit risk control and audit quality assurance. Through the formulation of practical development strategies and the concept of delivering audit quality, all employees should work actively and earnestly to enhance core cohesion [12].

The accounting firm should be equipped with audit quality control personnel, carry out unified recruitment assessment and promotion for all employees, establish long-term development plans for personnel occupations, and improve the professional skills of auditors so as to ensure that the firm has a certain proportion of professional talents and distribute them properly. Talents, strictly control the number of non-audit services.

The accounting firm should pay attention to the control of each process link in the process of accepting and maintaining the auditing project. The audit plan should not be overdone. It should develop its own development plan to increase the business volume strategy, establish an effective and effective review system, and resolutely eliminate auditing. The behavior of the audit service is degraded due to too low fees to ensure the quality of the audit project team. The accounting firm should strengthen the internal quality control of the audit work, ensure the quality of the audit staff work, and improve the efficiency of the audit work. Improve the firm's information management system, strengthen internal management, human management, audit project quality management. The establishment of an information management department, while improving the development and application of accounting software, has enabled the firm to continue to develop in an efficient and healthy manner, and to guide the entire industry in a positive and efficient direction.

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