

Study on Audit Quality of Accounting Firm

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Abstract: In recent years, a number of accounting firms in China have been punished by the China Securities Regulatory Commission and other regulators for failing to effectively discover or expose the financial fraud of listed companies, which is undoubtedly a major warning in terms of audit quality. This paper discusses the problems and reasons of audit quality control in accounting firms, and puts forward some corresponding measures, hoping to provide a new solution to audit quality control in accounting firms and promote the high-quality development of the accounting firms in our country.

Keywords: Accounting firm, Audit quality control, Counterplan.

1. Theoretical Basis of Audit Quality Control

1.1. Audit Quality

Audit quality is an important standard to measure the quality of audit process and results, and its core is reflected in the quality of audit results. The level of audit quality is directly related to the smooth realization of audit objectives, and also has a direct or indirect far-reaching impact on the development and stability of social economy.

1.2. Audit Quality Control

Audit quality control is a series of strategies and processes carefully formulated and implemented by audit organizations and auditors in order to improve audit quality and efficiency. This quality control mechanism can not only effectively reduce audit risks, but also promote the continuous progress of audit work, so that audit activities can flexibly respond to continuous changes in the internal and external environment of enterprises.

1.3. Quality Control at Different Levels and Stages

Hierarchical and phased quality control is managed in an orderly manner according to the internal hierarchy and workflow of the audit institution. Generally speaking, the head of the audit team will first conduct a review to ensure that the audit process is accurate. When the project audit is completed, all the data collected, including the audit working papers, will be reviewed by the head of the audit practice to ensure the completeness and accuracy of the data. In addition, the full-time review agency will also conduct a special review of the audit results to further improve the quality of the audit. Finally, the head of the audit institution will approve the complete set of project audit data to ensure that the entire audit process meets norms and standards.

2. Audit Quality Control Procedures of Accounting Firms

2.1. Organizational Management Level

From the perspective of organizational structure, some accountants have specially set up the supervision department

of Risk management and Quality Control Committee to be responsible for audit quality control of the firm. However, in fact, in the actual audit process, accounting firms fail to record the monitoring and evaluation process in detail, and fail to detect and deal with the major problems that may exist early. In addition, the practice code, ethics code and independence evaluation system formulated by it are too macro, lacking clear and detailed implementation rules.

2.2. Business Process Level

When undertaking business, some accounting firms consider whether to undertake audit business by evaluating the audited entity and the firm itself. If it is the first time to accept business commissioning, then we will fully understand the basic situation of the audited unit, the development status of the industry and the specific needs of the industry, and communicate with the former CPA in detail. If it is to continue to undertake audit business, then the firm is mainly to assess whether the main management personnel, financial status, business nature of the audited unit has significantly changed, and whether there is any major litigation matters.

When developing the audit plan, the risk assessment method should be used to clarify the focus. The first is to identify the risk of material misstatement that may occur in the audited entity. The firm will dispatch accountants with relevant industry background and professional qualifications to provide audit services for the audited entity according to its own business conditions and the different fields in which the audited entity is engaged. We will seek relevant third-party professionals who have no special relationship with the firm and the audited unit to provide information support; Secondly, according to the actual operation of the audited unit, the overall strategy and specific audit plan suitable for the client are formulated to make it smoothly in the implementation process; Finally, the importance level of the financial statement level is preliminarily determined, the internal control of the audited unit is evaluated, and then in order to avoid major errors or omissions in the financial report, inappropriate audit opinions are issued after audit, and audit risks are comprehensively analyzed and controlled to ensure the quality of practice.

Quality control is achieved through supervision and guidance when auditing. First of all, the auditor will conduct compliance tests and substantive tests on the audit procedure, aiming to verify the effectiveness of its design and execution,

and confirm the accuracy of the amounts in the accounting statements of the audited entity. At the same time, through these tests, we can also determine whether there is a potential risk of fraud in the enterprise, and identify whether there are abnormal transactions or frequent related parties. Upon completion of these tests, the project Manager will review the audit workpapers produced by their subordinate auditors to ensure their quality and accuracy.

In the completion stage of audit business, the three-level review system is implemented and applied to the last stage of the hierarchical and phased control method -- the completion stage. The completed work is reviewed purposefully and targeted to find out the existing problem factors and repair and improve them, so as to achieve effective control over audit work.

2.3. Employee Management Level

Accounting firms adopt incentive mechanism, implement strict reward and punishment system, and make clear the work responsibilities of each staff member. However, at present, some accounting firms have not yet perfected the scientific corporate culture management system, responsibility allocation system and employee work flow, resulting in the lack of basic work guidance for some employees, which often leads to a series of problems, affecting the smooth progress of some projects.

3. Problems Existing in Audit Quality Control of Accounting Firms

3.1. Failure to Maintain Reasonable Professional Suspicion

Some accounting firms do not fully understand the internal environment of the audited entity, which makes it difficult for certified public accountants to obtain sufficient and appropriate audit evidence in the audit process. This lack of understanding directly affects the design and implementation of audit procedures by certified public accountants and limits the finiteness of audit work. Ultimately, this limitation led to the failure of the audit.

3.2. Full control is Not Maintained During the Audit

Auditors should maintain a high awareness of quality control in the audit process, because audit quality control is the guarantee of the final completion of the audit work, and it runs through the entire process of the audit work. However, in the audit process of some accounting firms, certified public accountants did not personally participate in the printing process of statements, and even some auditors almost did not participate in the whole process of obtaining bank statements. Due to the lack of effective control over the whole process of obtaining bank statements, they lost control over the process of obtaining bank statements, leading to their failure to find that the statements were actually forged.

3.3. Audit Procedures Are Not Implemented in Place

In the process of risk identification, CPAs ignore the characteristics of different types of business transactions in financial statements, and actually only carry out general income risk assessment and countermeasures. This leads to obvious deficiencies and defects in risk identification and

evaluation procedures of factoring business.

When certifying bank deposits, the certified public accountant will choose to send and receive confirmation letters by mail or by letter according to the specific situation of the audit project by using the judgment of audit experience. In the confirmation of letters, auditors usually use the two methods comprehensively. After the auditor in charge of the bank letter is authorized by the audited party, he should always keep the sending and receiving process completely independent and ensure that he is personally going to deliver the letter or personally sending it by Courier. Next, the audit team should assign specialized staff to follow up the progress of the confirmation letter to ensure that it is not intentionally switched in transit. However, the confirmation letter of some accounting firms is not personally sent and received by the auditors, and the audited unit has been involved in it, and the audited unit has a lot of time to contact the confirmation letter, which also gives the audited unit the opportunity to fake the confirmation letter.

3.4. Lack of Quality and Professional Ability of Auditors

The professional competence of auditors is crucial to the audit quality control. Therefore, in order to ensure the smooth progress of the audit process and provide efficient and accurate audit services, accounting firms must devote themselves to improving the professional competence and skill level of auditors. In this way, the accounting firm can better perform its duties and ensure the quality and effectiveness of the audit work to the best state.

4. Countermeasures for Accounting Firms to Improve Audit Quality Control

4.1. Enhance Core Competitiveness

4.1.1. Strengthen the professional development of specific industries

In order to enhance their own status, reputation and influence in the audit industry, accounting firms actively play advantage areas to enhance market competitiveness. At the same time, it is also necessary to be wary of falling into the vicious competition of low prices, not to pursue higher economic interests, should abide by professional ethics, prudently select customers, and avoid economic interests with customers, in order to maintain the stability and sustainable development of the audit industry.

4.1.2. Focus on the formation of brand effect

In order to enhance the market competitiveness and attract more quality customers, accounting firms should take active strategies to strengthen the construction of brand image and take the road of brand development. Through well-planned brand marketing campaigns, the firm can expand its presence in the industry. At the same time, actively undertake high-quality audit projects and continuously improve the level of audit services, which helps to improve the current reputation in the industry. Then enhance its market competitiveness to continue to attract high-quality customers, and finally form a virtuous circle.

4.2. Clarify the Assignment of Responsibilities for The Staff of The Firm

First, we need a clear division of responsibilities. Clearly

delineate the responsibilities and powers of the business processing department and the financial management department to ensure that the responsibilities between the two departments are clear and to prevent unnecessary cross-interference. Second, it is crucial to maintain the independence of the audit. Finally, we need to constantly improve the internal organizational structure. The firm can actively introduce accountants with high professional ability, build a strong team, and continuously improve and optimize the internal organization and management structure of the firm to adapt to the development of the industry and changes in market demand.

In a firm, everyone, from senior leaders to low-level employees, should be clear about their responsibilities and take responsibility for everything they do. In order to ensure the smooth progress of the work, we need to carry out a detailed division of the work, and develop the corresponding work responsibility system and quality standards. Once there is a problem, the relevant responsible personnel should take prompt action to solve the problem in time to avoid further deterioration of the problem. At the same time, in order to ensure the effectiveness of internal supervision, every employee should accept supervision and management, and strengthen their own sense of responsibility to ensure the steady development of the firm.

4.3. Strengthen the Quality Control of Audit Process by The Firm

4.3.1. Establish a strict and standardized audit system

In order to ensure the accuracy and reliability of the audit process, accounting firms should attach importance to the construction of the audit system, strictly abide by the audit procedures, and carry out control tests. They should not make subjective judgments based on past impressions or judgments, but omit necessary audit procedures. They should strengthen audit quality control when making audit plans. Necessary audit procedures such as control tests, cut-off tests and analytical procedures shall not be reduced without authorization.

4.3.2. Strengthen the guidance and supervision of the implementation of audit procedures

When formulating audit plans, accounting firms should consider the complexity of audit projects, reasonably select auditors, effectively allocate audit resources, and strengthen the guidance and supervision of each link in the audit process. When the audit procedure is found to be different from the actual audit plan, the actual situation should be assessed in time, and the audit plan should be adjusted according to the actual changes to ensure the effective execution of the audit work; In the audit process, the project manager should also give guidance and supervision to difficult problems, hold regular project discussions, summarize difficult problems, and interpret these problems in detail, so that the project team members can understand the root causes of these problems, and guide them to propose effective solutions; At the same time, the problems are recorded in order to provide strong evidence for the monitoring process. In order to ensure the effectiveness of audit quality control, special personnel should be assigned to monitor the implementation of the responsibilities of auditors at all levels. Once audit defects are found, the personnel responsible for monitoring should immediately report to the auditors, deal with the problems in time, and record the monitoring situation for future reference.

4.4. Strengthen the Professional Quality and Ability Training of Auditors

Accounting firms must establish the correct concept of audit quality control. Understanding the internal quality control can not only effectively reduce audit risk, but also promote the firm's long-term stable development. The partners of the firm should play an exemplary role and guide the employees to put quality control in the first place through their own behavior demonstration. In order to improve the level of audit quality control, the firm should also actively organize business seminars to explain the importance of audit quality control in depth and enhance employees' understanding of it. At the same time, carry out regular heart-to-heart communication activities, so that superior leaders and auditors can have in-depth one-on-one communication, timely find and solve the problems in audit quality control, and remind employees with insufficient awareness of quality control, so as to create a top-down, quality-centered cultural atmosphere.

5. Research Conclusions

By analyzing the audit quality control system of accounting firms, this paper analyzes the existing problems and shortcomings of audit quality control of accounting firms, which are mainly reflected in the aspects of maintaining reasonable professional doubts of auditors, maintaining whole-process control of audit process, inadequate implementation of audit procedures, and insufficient quality and professional ability of auditors. The reasons for these problems are the fierce market competition in the audit industry, the lack of independence of auditors, the lack of strict audit execution process and the lack of professional ability and professional quality of employees. In order to effectively improve the audit quality control of accounting firms, we can enhance the core competitiveness, clarify the responsibility allocation of accounting firms, strengthen the quality control of auditing firms, and strengthen the professional quality and ability training of auditors.

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Disclosure Statement

The authors, Lina Sha, Guanlin Liu, jointly declare that there are no conflicts of interest that could potentially influence the impartiality or objectivity of the research presented in this paper. We confirm that throughout the processes of manuscript preparation, data collection, analysis, interpretation, and publication, there were no conflicts of interest. Each author, independent of any commercial or financial interests, is committed to ensuring the scientific integrity and transparency of the research. We uphold the principles of academic honesty and are dedicated to maintaining the values and standards of the academic community.

Author Contributions

Lina Sha made significant contributions to the conceptualization, data analysis, and writing of the paper. Guanlin Liu, as the corresponding author, was responsible for overseeing the overall direction of the project. Each author

contributed importantly to the work and approved the final version of the manuscript.

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