

# [Audit quality control standards](https://assignbuster.com/audit-quality-control-standards/)

## Internal quality audit procedure

1. 1.  Background

1. 2. 1 Client Identification

As noted in research by Aranya & Ferris (1984), it has always been known how important client

Identification is to auditors. The way of doing business today is changing at a very high rate, and auditors must be able to keep themselves updated on what is necessary to deliver quality audit results to clients (Aranya, Pollock, & Amernic, 1999). Client identification standards must be put into consideration. This concept is so important that audit firms stress the importance of audit employees to identify with clients during their training periods (Aranya, Pollock, & Amernic, 1981).

1. 2. 2    Auditor Objectivity

As suggested by Bamber and Iyer (2002, 2007), the process of client identification by auditors is crucial because it reduces the aspect of auditor objectivity. Sedikides & Brewer (2001) asserted that an auditor who identifies with their clients acquiesces to the position that is preferred by the client. The findings of this research are extended by considering more behaviors about client identification (Stefaniak, Houston, & Cornell, 2012). The ISB, in a 2000 draft, identified the fact that auditor’s freedom from dependence is endangered by the familiarity of the auditor with the client. Regulators, as proved by Jenkins & Lowe (1999), were concerned that auditor objectivity in performing an audit was impaired by close ties that developed amongst auditors and clients. The perception here is that threatening auditor objectivity leads to audit failures (Sedikides & Brewer (2001). It is hence a part of this paper to find out if the auditor's; objectivity is jeopardized with or without their consent.

## Quality control for audit work

1. 3; ; Problem Formulation

Deficiencies are a common occurrence in audit processes (Kelley, ; Margheim, 1987). This has

Prompted the quick action by clients and stakeholders to devise ways in which audit results may be enhanced. Further research by Kelley ; Margheim (1987) reveals that all audit firms have problems with audit quality. Broker-dealers for them to operate depend on the Big 4. Knapp (1985) reveals another problem with the Big 4 firms in that they go for the cheapest and not the best broker-dealers to undertake their audit works. This leads to poor audit results (Johnstone, Bedard, ; Biggs, 2002). As a result of the problems realized in audit processes, Sweeney, Arnold, ; Pierce (2010) advised that it was necessary to consider client identification by auditors. This is aimed at coming up with measures to ensure the best audit outcomes. This study has the objective to provide answers to this problem.

Previous research has been concentrating mainly on the Big 4 (Johnstone, Bedard, ; Biggs, 2002). However, it is important to note that problems experienced in client identification by auditors are not limited to the Big 4 firms only (Kelley, ; Margheim, 1987). The non-Big 4 also have a part in it. This is why this study makes a consideration for both categories of firms. Client identification for both groups of auditors (Jenkins, ; Lowe, 1999) is studied. From the perspective of the auditors, it is desirable to familiarize with the clients. However, van Knippenberg (2000) warns that this is a big threat to auditor objectivity and hence compromises audit outcomes. The effect of client identification on the quality of audit results is determined after examining how auditors identify with their clients (Aranya, Pollock, ; Amernic, 1981).

1. 4; Significance of the Study

Awareness will be brought to stakeholders on the concept of auditor-client identification and

How it affects the quality of audit outcomes. The study will also help clients determine the extent to which clients can rely on information provided by auditors depending on the type of auditor is providing the audit to the client.

The study is also of great importance to practicing auditors in accounting firms. It acts as a way of self-assessment on their performances and helps to identify any weaknesses or shortcomings that they might have. In this way, auditors can enhance the services they provide to clients.

Lastly, the study will be of great help to the public who might be interested to know about auditor-client identification. It will also provide insight into the manner in which audit quality can be improved and how client identification affects the quality of the audit.

## Audit quality assurance

1. 5; Purpose of the Study

The research paper identifies the extent to which auditors identify with clients. Also, it also aims at examining what effect client identification by auditors has on client acquiescence by auditors to the treatment preferred by clients. Lastly, the study seeks to find out if the undesirable results of auditors identifying with clients can be applicable to a wider perspective in reduction of poor audits by auditors.

1. 6; Research Questions

Does auditor-client identification increase with increasing auditor tenure?

How are auditor-client identification related to client importance?

Does client image have an impact on identification with clients by auditors?

How does increasing professional identity impact on the auditors acquiescing to the clients' favorite treatment?

1. 7  Delimitations

The study focuses on audit providers in both Big four and non-Big Four firms. Most earlier research works never took into account the latter category. This study, therefore, is comprehensive as it handles both categories of auditors. This will help to address all deficiencies and challenges that result from the audit processes.