



NEW MODEL OF QUALITY DEVELOPMENT IN AUDITING COMPANIES

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Abstract. At the beginning of the century the public balance scandals led to an international discussion over the quality of audits. The work of the statutory auditor viewed with increasing distrust, so the legislative responded with new laws and directives to raise quality in audits.

Aim of the research is to prove if there a standardized understanding of quality in the profession of auditors.

After analysing important aspects in quality theories according to business administrations, service quality and quality in audits it was clarified that no single area of business economics offers a uniform definition or approach to the term “quality”. Neither the profession of auditors, nor the legislative which passes new laws and regulations stating “by this, a higher quality will be reached”, have a uniform view of quality. However, this is absolutely necessary for a uniform and broad understanding of quality, because quality in audits must be more than “to do our jobs rightly” (cf. Pfitzer, 2006, p. 187).

For this reason, the author developed a “**New model of quality development of auditing companies**”, named the **AuditCompanies-QualityDevelopment-Model (AC-QD-Model)**. To fulfil all the expectations of the different receivers of audit services, all legal and professional requirements as well as one`s own expectations, a model of audit quality has to be developed, that is very broad. As the term also needs to take into account the regulations mandated by law and by professionals, it must consider aspects of product-based, of manufacturing-based and user-based approaches (cf. Garvin, 1988, p. 319).

Expert Interviews have been conducted to support the theoretical approach and literature review.

In this paper the author focuses on all components of this new model and presents the possibility for the companies to design their individual quality model.

Key words: *quality, quality in audits, small and medium-sized auditing companies*

JEL code: M4, M42

Introduction

At the beginning of the century, the public witnessed scandals of companies like “Enron”, “Parmalat” or “World.com” and the high financial damage for shareholders, which is linked to these scandals. This led to an international discussion over the quality of audits, since prior to this almost all of the affected

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companies concerned had received an unrestricted audit certificate. Doubts concerning the quality of auditing were voiced to a heretofore unheard of extent. The quality was questioned and the work of the statutory auditor viewed with increasing distrust, nationally as well as internationally. The criticism directed against the profession of auditors as a whole, led to a great loss of trust in the public. To regain the trust in statutory audits, political leaders were forced to take action. The United States of America responded to this discussion with the “Sarbanes-Oxley Act”, while the European Union passed the Directive 2006/43/EC.

The Directive updated the statutory provisions for the professional guild of auditors to increase the quality of audits. In detail, the Directive demanded an external quality-control-system and a public supervision for the profession of auditors. In addition to that the Directive set arrangements, which should improve the cooperation between the EU-regulation offices.

The EU-member-states, including Germany, Austria and Latvia were obligated to integrate this Directive into national law by June 28th, 2009. A characteristic of directives passed by the EU is that the directive sets a frame and the member-states are in charge of filling the frame. In addition, since the year 2000, there have been a number of amendments and new professional frameworks on the national as well as the European level, which up to that point had not existed to this extent for the entire auditing profession. According to their respective explanatory memorandums, these extensive regulatory impacts are supposed to improve the quality of the auditors’ work and reestablish public trust, which forms the basis of the statutory audit (cf. Moxter, 1981, p. 580).

The view of the present financial crisis, the final audit has again returned to the headlines and renewed discussion. As a consequence of the financial crisis, the European Commission has published a green book, in which several measures are presented which are to contribute to raising the quality of final audits as well as dealing with the general role of the final auditor.

The aim of this research is to prove whether or not there is a uniform understanding of quality in the profession of auditors. The empirical confirms the theoretical proposition that there is no uniform understanding of quality and even no holistic understanding of it in the auditing profession.

The Novelty of the research is a new quality model developed by the author, a “New model of quality development in auditing companies”, named the **AuditCompanies-QualityDevelopment-Model (AC-QD-Model)**. This new model is a holistic quality approach for the whole auditing company, which makes it possible, that every auditing company considers any component of the AC-QD-Model for their own company and determines them individually.

Research question and analysis

The key research question for this research is: Is there a standardized understanding of quality in the profession of the auditors? Because of new laws and regulations are implemented on the grounds to raise quality in audits and auditing companies.

This research paper is part of a wider research approach executed over the last 3 years. The research questions and tests were analyzed scientifically and proven with several expert interviews with four different expert groups. The four groups include representatives of the auditors themselves, reviewers of quality control, the professional representatives and professional consultation.

Hypotheses and results of the expert interviews were presented and published at the international conference in Kufstein² There the main results of qualitative expert interviews were discussed.

² International Conference “International business and economics conference” in Kufstein, Austria from 3-5 August 2012. Title of the paper: “The Effects of the External Quality Control on the Auditor Market in Germany, Latvia and Austria”.



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With the first open qualitative question it was examined, how the four expert groups defines quality for their companies in general and specifically for statutory audits. This question was asked against the background of the different existing definitions of the term quality and quality in audits. Additionally, it was asked, how comprehensive the quality perception of the interviewed companies is and if there is a company that sees quality as a holistic corporate approach – as the author does.

After literature review that shows, that there is no uniform approach of quality, the answers to the question above do not present a surprise. Each of the interviewed auditors defines quality in his company and in audits differently. In general the answers limit each one to a single characteristics, such as compliance with professional duties (stated 17x), fulfillment of legal obligations (stated 20x), apprenticeship and advanced education of the professional and his employees (stated 14x), as well as the on-site commitment of the auditor, accurate work, documentation and the four eyes principle. As this was an open question, the possibility to mention different quality characteristics was given.

First result of the research was that there is no uniform understanding of quality and even less a holistic understanding of quality to be found among the interviewed auditors and the quality control reviewers. The quality reviewers see quality mainly as object-related. Thus, the fulfillment of legal requirements and standards is rated as quality by 60% of the interviewees and the usage of auditing software by 40%. Only 30% of the quality control reviewers bear in mind their customers` satisfaction.

The overall conclusion is that none of the interviewed four groups has such a broad understanding of quality that they consider quality as a holistic business approach in the center of their everyday work. In all responses only single aspects or characteristics are seen and described, which mean quality for them.

The quality definitions and approaches examined by this research show that there is no uniform method of defining and testing individual quality. All definitions and approaches discussed are somewhat fragmentary from their own viewpoint.

Focusing on quality theories and the requirements and laws the profession of the auditors has to fulfill the new model was developed.

Theoretical Background of the New Model of Quality Development in Auditing Companies

After analyzing the most important quality theories according to business administrations, service quality and quality of audits it was clarified that no single area of business economics offers a uniform definition or approach to the term “quality”. Neither the profession of auditors, nor the legislative which passes new laws and regulations stating “by this, a higher quality will be reached“, have a uniform view of quality. However, this is absolutely necessary for a uniform and broad understanding of quality.

For this reason, the author developed a “**New model of quality development of auditing companies**”, named the **AuditCompanies–QualityDevelopment-Model (AC-QD-Model)**.

To fulfill all the expectations of the different receivers of audit services, all legal and professional requirements as well as one’s own expectations, a model of audit quality has to be developed, that is very broad. As the term also needs to take into account the regulations mandated by law and by professionals, it must consider aspects of product-based, of manufacturing-based and user-based approaches (cf. Garvin, 1988, p. 319)

Because quality in audits has to be more than only an addition of these three categories the author’s new model of quality management of auditing companies puts quality - according to the research approach of Kellner (cf. Kellner, 2010) and Feigenbaum (cf. Feigenbaum, 1991, p. 896) - in the center of the entire entrepreneurial activity; as a holistic model of quality. The complexity of quality needs a holistic model of quality in which quality must not be regarded as static (cf. Seghezzi, 2007, p. 37). Quality therefore is to be seen as the basic attitude of the enterprise, a central point in everything the company does. For positioning quality this does not mean to offer “just as much quality as needed“, but to offer “as



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much quality as it is possible“ (Seghezzi, Hansen, 1993, p. 86) Such a holistic approach is owed to the profession of auditors, as any auditor in any country has a great responsibility and also a great privilege. Auditors fulfill public services and thus are subject to strict professional regulations. The public, creditors, shareholders and other interested parties expect that they can rely on the auditors as guarantors of integrity and the credibility of final audits (cf. Langenbucher, 1997, pp. 63).

With the implementation of this holistic model in every auditing company, highest quality will be achieved through the fact that the auditor as well as the entire office, perform business by complying with all the legal restrictions and vocational duties.

The designed model creates a uniform method of derivation for the quality of each respective company. It is important to create a uniform understanding and a uniform framework, how quality is derived and defined with regard to the respective company. Therefore, it is not about finding a uniform quality – which does not exist – but about finding a uniform method of defining and controlling individual quality. Each company has to define its own quality using the method explained below. The way and method how quality is to be understood is uniform, but each company defines for itself its own individual quality. This result is a different and individual quality for every company.

The Individual Components of the AC-QD-Modell

The different (in total eight) components that influence quality certainly have different emphases, but nevertheless need to be taken into consideration and need to be regarded by each company in order to reach a holistic model of quality.

Legal and Professional Requirements

The profession of auditors has to fulfill diverse and broad legal and professional duties when it comes to carrying its duties. As these duties are partly anchored both in the respective legal regulations (HGB, WPO) and in professional regulations and statements, they will be presented in the following in one chapter.

Basis for the work of an auditor

To be allowed to work as a professional auditor, there are broad admission requirements in all countries. They require a personality beyond reproach, various financial conditions according to §10 WPO, completion of studies and practical working experience in the auditing profession as well as passing a general exam. Subsequently the public appointment and swearing in before the Chamber of Auditors follows (cf. §§ 15, 17 WPO). The practice of an occupation in a professional society is widely regulated. The Auditors Regulations determine in which legal form the profession is allowed to be practiced. The basis for the practice of an auditor in an auditing company is the approval through the supreme authorities (cf. §§ 1, 30 WPO).

Professionalism

The practice of a profession is governed by broad legal restrictions that are stated in the Auditors Regulations and the Commercial Code. Independent, diligent, discreet and independent professionalism is



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part of the general professional duties (§ 43 WPO). The auditor has to work in an unbiased manner especially when providing audit reports and expert reports (§ 43 Abs. 1 WPO). Even beyond his profession, the auditor needs to “prove himself worthy of the trust and respect that the profession requires” (§ 43 Abs. 2, S 2 WPO). In addition broad duties for the implementation of final audits arise from the §§ 318 HGB as well as from the institutional professional supervision. The institutional professional supervision consists of the sectors (cf. Paulitschek, 2009, p. 238) of supervision, which is established by the Chamber of Auditors in Berlin, the system of auditor supervision, which also includes the external quality control by which the internal quality assurance system is controlled to show whether or not it fulfills the legal mandates (cf. Jehle, 2007, p. 20) as well as of the supervision by the law (so-called enforcement laws). One needs to differentiate the system of auditor supervision and supervision by laws, as they focus on the accounts. If any indications of neglect of professional duties are revealed by this, they are to be reported to the auditor’s supervisors for further investigation.

Professional Requirements

Auditors practice, like doctors or lawyers, a so called liberal profession. The special character of a liberal profession is based on the professional understanding, the practice of the profession and the view of the profession as a public service (cf. Helmschrott et.al., 1998, p. 22). Liberal professions all have to comply with certain regulations for their respective practices, which are based on the professional ethics rules. For auditors in Germany these are the German Auditors Regulations (WPO) and the regulations and standards specified by the vocational statutes and statements of the institute. The vocational duties presented in the following profoundly influence the presentation of the auditor in public:

- independence, impartiality, and the avoidance of conflicts of interest;
- conscientiousness;
- discretion;
- personal responsibility;
- professional dignity.

Independence – the most important characteristic of the professionalism of auditors – is established by the legal and professional duties as well as by the Code of Ethics. Because of its great importance in the developed quality model, independence will be presented as a separate component below.

The principle of **conscientiousness**, regulated by § 43 sect. 1 sentence 1 WPO, is substantiated in § 4 of the Professional Code for Auditors. Conscientious professionalism requires that the auditor complies with legal regulations and technical rules when carrying out his duties. Therefore, employees are placed under the obligation to comply with the regulations of the quality assurance system of the company, as well as to document this accordingly (Professional Code WP/vBP, § 4, p. 5) Additionally, professional training, regulated by §4a BS WP/vBP, forms the basis for a conscientious professionalism. When agreeing on the remuneration for audits and reports, it needs to be considered, that the remuneration can guarantee the quality of the professional work (§ 55 WPO)

In accordance with §43 sect. 1 sentence 1 WPO, the auditor is obligated to exercise **discretion**. According to the regulations of the professional code (§§ 9, 10 Professional Code), auditors are not allowed an unauthorized disclosure or usage for their own purposes of facts and circumstances they are entrusted to them or that they come to know while exercising their profession. This obligation to discretion also applies to final audits. The obligation to secrecy is without time limitation (§9 Abs. 3 professional code) and also holds true for the company’s employees.

Personal responsibility, regulated in §44WPO, §11 professional code, means that the auditor exercises his tasks entirely under his own responsibility and free of instructions. He forms his own opinion and makes his own decisions. He must not accept jobs, if he cannot carry out his work with professional



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responsibility. The compliance with the regulations of personal responsibility serves to secure the quality of the job being done. Moreover, it is meant to contribute to the auditor reaching an independent judgment.

Professional dignity includes, that the auditor abstains from any work that is incompatible with his vocation or the reputation of the vocation, regulated in §43 sect. 2 WPO. He has to be aware of his special vocational duties resulting from the fact, that he performs legally mandated final audits and that the public and his clients trust his judgment (cf. Leffson, 1998, p. 90). “He therefore has to prove himself worthy of the trust and dignity his profession requires, also beyond his professionalism”(IDW, 2011, p. 33). Concretely, it goes without saying that the auditor is not allowed to agree on success fees, to make or accept the payment of a commission (§55 WPO), and donations. The same applies to all employees of the auditor.

Code of Ethics

The prerequisites for implementing this complete concept of quality in an auditing company consists first of the consideration and the compliance with all legal and professional requirements as well as paying attention to the guidelines of the Code of Ethics (International Federation of Accountants, 2012). Those comprise very extensively all prerequisites the auditor needs to consider and fulfill in his office and while undertaking the different audits. The **professional requirements**, which are predefined in the professional by-laws of the respective countries, contain e.g. the obligation of an objective and diligent professionalism, the obligation of personal ongoing training as well as those of employees and the obligation to confidentiality, to name but a few. The **legal requirements** concern the attention to the various independence and exclusion criteria, confidentiality, diligence, independence as well as the obligation of providing an unbiased report and audit certificates, to name but a few here as well. The **Code of Ethics** for Professional Accountants applies to all professionals that are members of a member-organization of the International Federation of Accountants (IFAC) and contains the behavioral-standards for auditors applicable worldwide. The purpose of the Code of Ethics, which is published by the IFAC in an up to date version in July 2012, is to “serve the public interest by: contributing to the development, adoption, and implementation of high-quality international standards and guidance; contributing to the development of strong professional accounting firms” (Code of Ethics for Professional Accountants, p. 1). They also contain professional obligations such as integrity, objectivity, functional responsibility and diligence, confidentiality and independence, to name the most important (cf. Code of Ethics for Professional Accountants, p. 3)

Independence

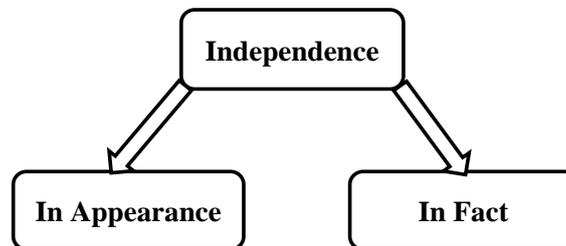
As it becomes clear in the short explanation above, certain tenets such as confidence and independence, are to be found in all three divisions as mandatory elements for the auditor. This shows, of course, the great importance the adherence of these tenets has got for qualitative professionalism. Still, the adherence to these legal and professional standards is only to be found among the foundations of this new holistic model of quality, the so called principles. Quality needs to be more than simply fulfilling these given laws and principles.

This holistic model of quality is only to be achieved by the auditor, if he performs his task with complete independence and without biased and if he does not allow his opinion to be influenced. The independence of the auditor is the cardinal quality of honesty in the holistic model of the author. Only a completely independent auditor is able to guarantee that his judgment is unbiased and free of any external



influences. Independence is – as mentioned before – required by all three elements of the principles, but it is part of the professional duties that the auditor has to fulfill. However, independence means more than the fulfillment of a professional duty, it is of utmost importance and the chief aspect of the whole model.

Regarding the different legal and professional regulations of independence, it can be observed that independence is theoretically widely regulated, e.g. through the limitation of shares and voting power an auditor has in a company that he is to assess; through the agreement on a limit to the remuneration limit; expulsion in case of concern etc. Nevertheless, in practice, there are problems of demarcation occurring again and again due to unclear legal terms, such as bias. In the reference, the auditor's independence is divided into "independence in fact or independence of mind" and "independence in appearance". If an auditor is independent "in fact or in of mind", he or she has the ability to make independent audit decisions, even if there is a perception of lack of independence or if the auditor is placed in a potentially compromising position (cf. McGrath et. al., 2001, p. 39).



Source: designed by the author, 2012.

Fig. 1. Independence of an Auditor

But it could be, that even when the auditor is "in fact" independent, that there are some facts that may make the public believe, that the auditor does not "appear" to be independent. It could be, that users of financial statements believe, that they cannot rely on annual audits of financial statements (cf. Lowe et. al., 2001, p. 90). Therefore the perception of the public and of users of financial statements it is also an important consideration in the discussion of auditor independence. It is necessary, that a reasonable third party recognizes that there are no conflicting interests that might be prejudicial to the auditor's independence (cf. Quick, 2005, p. 92).

Clients

For achieving this holistic model of quality, the highest possible quality needs to be the mission of each and every office. That means, the mission is to reach the highest quality in all sectors and levels of the office. Therefore it is of utmost importance that each office defines "its quality" and decides for itself, as their unique selling point. The determination of what quality is for each individual office is necessary, as it differs for each office. Each office has different mandates with different expectations and needs. As the office "knows" its mandates, it will be able to provide a quality in harmony with its mandates and therefore will be unique in fulfilling all expectations. What's more, the recipients and addressees of the services will differ in the respective office. For example, if an audit company assesses a company oriented toward the capital market, the recipient of the audit will not only be the company itself, but also a multitude of shareholders. In contrast to that, small companies mainly assess small and medium-sized companies, where shareholder and manager are the same. Therefore, the expectations will differ due to



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the different circles of recipient. Only the office is able to determine its own quality for the respective recipient.

Employees

The employees are of importance for implementing a broad quality model in two ways: For one thing, they need to be included in the implementation and realization of a model if this model is to be successful, and secondly the employees play a vital role in an audit company when it comes to carrying out final audits and hence determine the quality of the work and the company.

Well-trained, skilled employees are one of the basic prerequisites for flawless work and hence an important component in the new quality model. Only well-trained employees are in a position to find errors in annual final audits and to reveal them. Qualified job handling requires securing a high level of qualification of the employees.

Therefore, it is part of the professional duties of the auditor to inform his employees when employing them about the respective legal and professional regulations, to inform them about independence rules, to obligate them to confidentiality and to introduce them to the company's quality assurance system. Furthermore, each employee has to confirm a declaration of independence annually and before each auditing assignment.

The development of employees is an important aspect in any audit company. The professional code (§6 BS WP/vBP) mandates, that sufficient practical and theoretical training of the trainees and the further education of specialized employees has to be organized and that specialized information has to be provided. Next to the education and training, the appraisal of the specialized employees at reasonable intervals is part of company's duties.

Competition

The auditors market has been influenced by an increasing competition as well as by tendencies of international harmonization, which led to a drastic change in the auditors' market during recent years. The indicator for this intensification of competition is the continuing process of concentration in auditing companies. During the past 20 years, this process of concentration has led to the "Big-8" becoming the "Big-5", on the basis of the "Big-Eight-Companies"³ still in existence in the 80s through different fusions from 1989 to 1998. Triggered by the Enron-collapse, the Arthur Andersen group was split up and merged partly with other auditing companies, so that since then there are only the "Big-4" (cf. Koecke, 2006, p. 24), which are continually expanding their market position, so that the EU already is alarmed a system relevance in their green book dated the 13th of October 2010 (European Commission, 2010). The consequences, that would arise from the disappearance of the "Big-4" are being compared to the experiences made during the last financial market crisis (European Commission, 2010).

It is evident from recent studies, that there also is a tightening process of concentration taking place amongst medium-sized auditing companies (cf. Koecke, 2006, p. 233). One reason for further mergers is that the increasing internationalization of the clients and the increasing demands made on auditors can be met more easily by bigger unites. In the auditing market research other facts such as cost advantages (economics of scale), advantages of diversification (economics of scope) and financial disadvantages of small and medium-sized companies are seen as reasons for the process of concentration (cf. Koecke,

³ To the "Big Eight-Companies" belonged Arthur Andersen, Arthur Young, Coopers & Lybrand, Deloitte Haskins & Selle, Ernst & Whitney, Peat Marwick Mitchell, Price Waterhouse and Touche Ross, see. Markus, H.B. (1996), pp. 206, Büchele; Gschrei, 2011, 60 p.



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2006, p. 36). Economics of scope means as far as audits are concerned, that the production of the auditing service becomes cheaper the more auditing services are rendered (cf. Hofmann, 1982, pp. 32). The reason for the increase of the concentration of providers in the auditing market can be cost advantages due to the company's size (cf. Lück, 1999, p. 66). These cost advantages can be proved by statistical analyses, which make a connection between productivity and the practical turnover.

The intensification of competition in the auditors' market can be seen in the increasing competition for medium-sized mandates by second-tier and the "Big-4" companies. An increasing effort of the "Big-4" companies to obtain auditing orders of medium-sized mandates, as well as an aggressive pricing policy between small and medium-sized companies can be observed (cf. Fischer, 2004, pp 95).

The demands for auditors, especially those of medium-sized companies, who usually supervise other medium-sized companies, have increased as part of advancing globalization, also in medium-sized companies, in recent years. Clients moving successfully in niches need auditors with respective special skills. This again causes the auditing company to build up and keep ready respective specialized advice capacities (cf. Henze, 1999, p. 10), which is getting more and more difficult for small and medium-sized companies not focusing on only one sector. Other increasing demands for small and medium-sized auditing companies are the result of the capital market orientation for financing the growth which goes hand in hand with the internationalization of companies (cf. Haßlinger, 2011, pp. 26). This capital market orientation requires the compliance of certain accounting regulations plus prompt financial reporting.

The development pictured above shows that it is getting more difficult, especially for small and medium-sized auditing companies to survive the increasing processes of concentration. This is true especially before the backdrop that there is a strategic deficit noticeable in these auditing companies.

The Public

Auditors have suffered a loss of confidence through diverse accounting scandals, and the public has doubts as to the independence and the performed audit quality of auditors. All this happens even though the trust in the auditor is the basis of the institution of final audits (cf. Moxter, 1981, pp. 579). It is of crucial importance to restore this confidence, as external legislation is accessible for the public and the public in return relies on its correctness (cf. Lück, 1999, p. 1). The annual final audit is the main result of accounting and the investors of the capital market rely on the final audits made by auditors.

The final audit fulfills three functions: the control-, the information- and the accreditation-function (cf. Orth, 2000, p. 17). The **control function**, which included the correction- and the prevention-function, is considered as the main task for the auditor. The control function is directly based on the principal-agent-conflict between investors and management and the possibilities of influence of management on the accounting (cf. Buchner, 1996, p. 5). The control-function is to ensure, that the annual final audit and the situation report meet legal prescriptions. The **correction function** includes revealing mistakes in the accounting; the **preventive function** is to lead the company to avoid mistakes from the very beginning of setting up their final audits in the future (cf. Quick, 1996, p. 2).

A further task of the annual final audit is to inform the supervisory board or the legal representatives and people outside the company about the results of the audit (**information function**). A precondition for this is the responsible reporting of the final auditor as well as compliance with legal and professional disclosures. The audit report and the oral reporting to the general assembly or the supervisory board are the respective instruments of information (cf. Wiemann, 2011, p. 39).

The audit certificate of the annual auditor summarizes the results of the final audit and furthermore contains an assessment of the accuracy of the accounting towards company externals (**accreditation function**). With this assessment as part of the accreditation-function, the auditor takes on a role as an



„information mediator“ between the company and external third parties, for which the audit certificate often is the only source information offer of the result of the final audit (cf. Orth, 2000, pp. 19).

The AuditCompanies-QualityDevelopment Model (AC-QD-Model)

Based on the holistic model of quality, the author develops the following **AuditCompanies-QualityDevelopment Model (AC-QD-Model)**, which includes and taken into account the eight components. This model enables each audit company to define its own quality standards according to a uniform method.



Source: designed by the author, 2012

Fig. 2. AC-QD Model

Summary New AC-QD Modell

Above, the single components of the author's new AuditCompany-QualityDevelopment Model (**AC-QD Modell**) were presented. For this holistic approach to quality, it is important, that each audit company consider every component for their own company and defines it individually. In this way, every audit company has the possibility to define its own quality my means of a uniform model.

The whole office will back the decision only if they decide, define and find their own idea of quality. This quality needs to be “lived” every day, in all sectors described, on all levels and by every employee. The inclusion of the whole office – that means of all employees – is a vital prerequisite for the fulfillment of the mission of “extensive quality”. Quality cannot just be ordered by the employer, but needs to be followed and set as an example by him.

To sum it up, the holistic model that each office develops considering all aforementioned components that the office accommodates to the current conditions; considers the independence as the chief precept and thereby makes sure that expected and obtained quality correspond. Quality doesn't arise from quality



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control but will arise when it becomes the task of the whole auditing company exemplified by the auditor and each employee. Quality has to be the unique selling point (USP) of the auditing company; every task in the company has to be aimed at fulfilling the quality requirements it set for itself. At the same time, the auditor has to keep his independence, and by consideration of his professional duty, create values in his work, which will fulfill the expectations of the shareholders, of the public and of the audited company. The auditor has the responsibility but he has to include his employees in the whole process.

The **Novelty** in this model is, that there is no existent model that includes and combines all eight components. Only when all components are taken into account by the auditor he is able to develop his own quality model as a holistic enterprise approach and will get so “quality as much as possible”.

The novelty is that the design of the AC-QD-model offers a uniform method for deriving an individual quality for each company. It is important to create a uniform understanding and a uniform framework, how quality is derived and defined with regard to the respective company. Therefore, it is **not about finding a uniform quality** – which does not-exist – but about **finding a uniform method of defining and controlling individual quality**. Each company has to define its own quality, using the **AC-QD-model** explained below. The way and method, how quality is to be understood, is uniform, but each company defines for itself its individual, own quality. This results in a different and individual quality for each and every company in the way that every company will get “as much quality as possible”.

Professor Peemöller draws the same conclusion in his recent essay: “Legal rules, professional regulations and reform proposals by commissions aim at the sagacity and the freedom of judgment of the auditor, in order to ensure an appropriate judgment. These efforts **will not be fruitful, if the auditor does not have the commitment to his work to perform it with the highest possible quality**” (Peemöller 2012, p. 37).

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