



FOREIGN EXPERIENCE OF THE FORMATION OF A QUALITY MANAGEMENT SYSTEM FOR AUDIT SERVICES

Ukrainian audit completed the period of formation and goes to a qualitatively new level: provision and management of the quality of audit services, which in future will become the basis for the recognition of Ukrainian audit at the international level. In Ukraine, the dominant aspect of improving the quality of audit services remains the professional control over the quality of audits carried out through the Audit Committee, created as a structural unit under the Audit Chamber of Ukraine.

Therefore, the purpose of the article is to study the foreign experience of the quality management system of audit services and the possibility of its use in Ukraine.

In almost all countries, audit and quality control is carried out by the state, the professional community, clients, as well as by the audit firms themselves.

In the world there are several models of building a system of control over the profession of auditor, namely:

1. Control is carried out by a private public organization on behalf of the state. An example is the PCAOB, which was set up in the United States under the Sarbanes-Oxley Act of 2002. The same system was introduced in the United Kingdom.

2. The control is exercised by the state body, which is an element of the financial institution, and controls the work of the exchange structures. Such a system operates in Australia, Holland, Italy.

3. The mixed model used in Germany suggests that the existing public organization of auditors and the Chamber of Auditors exercise control over the profession, but the Audit Chamber is additionally controlled by an independent state body, APAK [1; 2; 5].

Familiarity with the practice of organizing the regulation of the quality of audit services in other countries will allow us to assess the positive and negative aspects of different forms of ensuring the proper level of services and to determine the possibility of applying progressive structures and methods of management in the domestic audit. Consider the more specific features of the organization and construction of a system of maintenance, management and control of the profession auditor as in countries of stable market relations, and in the countries of the former USSR.



Currently, the most studied is the system of quality control of audit services in the US, which began to form in the early 70's [1; 2].

Regulatory mechanisms for the quality of audit services in the United States are: a) the system of self-regulation of the profession in the direction (carrying out qualifying exams to establish the professional competence of applicants, the creation of quality control systems in audit firms, aimed at ensuring compliance with professional standards by auditors, the application of liability measures for actions that do not meet professional standards); b) disciplinary systems created by state organizations and accounting commissions in individual states.

Quality control is closely linked to the auditing standards developed by AICPA - GAAS (Generally Accepted Auditing Standards). GAAS are set up for specific work, and quality control - for the entire audit firm, so the audit firm must ensure compliance with GAAS at each audit. The standard recognizes that a quality control system can only provide some certainty, but not a guarantee of compliance with GAAS [1; 2]. Special quality control procedures for audit firms have not been established.

At the same time, the problems we drew attention to in the previous subdivision made themselves so loud that they forced the auditors to develop new approaches to quality management of audit services provided and to ensure, at the appropriate level (first of all by the state), that the auditors' compliance with the established norms. All this resulted in the need for a substantial revision of the legislative basis for conducting audits, concerning, first of all, the quality control of the audit services provided.

It should be noted that, according to the Sarbanes-Oxley Act of 2002, state control over issuing companies is substantially strengthened and serious measures of liability are imposed on offenders, including criminal ones. So, according to the new law, the chief and chief financial officer of the company are required to confirm the accuracy of the reports submitted to the SEC (Securities And Exchange Commission (SEC) - a specially created government organization in the United States for the implementation of measures of state regulation and control of stock markets and investor protection). For providing false information, the law provides for a fine of up to \$ 1 million or imprisonment for a term up to ten years.

In Belgium, responsibility for the quality of the audit lies with the institution "Revis uers d'Entreprises". All external auditors are members of the RE institution and their professional activities are under the control of the Minister of Economic Affairs of Belgium. The RE Institute prefers to introduce a "pyer" type verification as well as the implementation of external quality control procedures on a permanent and systematic basis. As a result



of the audit, the external auditor appointed is a report that he discusses primarily with the internal auditor and management of the firm being audited, and then passes it to the chairman of the Supervisory Commission of the Institute. The General Council conclusions on the results of the external quality control audit are made at its meeting.

In the UK, the practice of verifying some firms by others was not considered acceptable. The company law in 1989 established that the regulation of the professional activity of auditors was carried out through the creation of special units for the quality control of audit work [14].

Guidance on methods for managing and controlling quality in the UK is given in the instructions of the Audit Practices Committee "Quality Control" adopted in 1985 [10]. The quality control elements outlined in it are partly identical to the American counterpart adopted by the CCCT (regarding respect for independence, staffing requirements for recruitment and appointment, consultations, verification of control activities). In the 1980-1995 biennium, Britain took over the experience of the United States. Thus, in 1986 it was established that the Audit Committee is required to conduct a review of financial information (usually annual and interim accounts and reports to shareholders), internal control and financial management systems, and to closely interact with external auditors. Thus, the audit committees provide a direct link between auditors and senior management of the corporation. The conclusion of the Audit Committee allows the Board of Directors to be more confident regarding the data contained in the reports. In addition, the audit committees monitor that external auditors not only have the opportunity to conduct inspections, but also perform their work at an appropriate level [5].

The German Audit Chamber (Wirtschaftsprüferkammer) was founded in 1961. The Audit Supervision Organization was established on December 27, 2004, it is not public, members of the Commission are determined by the German Ministry of Economics [12]. Supervision over the profession of auditor is carried out through the Audit Chamber of Germany in the field of overseeing the profession, quality control of audit services and education. Members of APAK are invited to the meetings of the Audit Chamber of Germany. To monitor the activities of auditors in Germany, monitoring is used, as well as the quality control of individual audit tasks carried out on a selective basis.

In Denmark, in 1994, new rules were introduced on the external quality control of the audit. According to these rules, audit firms and individual practitioners may be subjected to an external audit conducted by another professional firm. It should also be noted that mutual checks are prohibited



[11; 14].

In the United Kingdom, there are five professional organizations that are officially recognized and approved by the Ministry of Commerce, Entrepreneurship and Employment and are operating in accordance with the Law on Audit Company, adopted in 1990, and include the Institute of Chartered Accountants in Ireland (ISAI); Institute of Certified Public Accountants in Ireland (JPA); Institute of Chartered Accountants in England and Wales (ISAE); Institute of Chartered Accountants in Scotland (ISA8); Association of Chartered Certified Accountants in Scotland (ACCA).

As in the UK and Ireland, professional organizations monitor the work of all auditors who are listed. Each of the aforementioned organizations has its own system of supervision and control over observance of the relevant laws and regulations, including auditing within the company. Professional organizations monitor the process of registration of external auditors, monitor their compliance with the requirements of the current audit rules. These organizations have the highest authority to enforce sanctions against the auditor, as needed, until he is excluded from the register [15].

The procedures for external quality control are always based on the monitoring system, which involves the staff of the monitoring organizations. The systematic monitoring of the work of ICAI members is carried out in a "hands-on" check carried out by the IMU (Irish Monitoring Unit) and the audit reports are considered by the relevant AISI committee. The monitoring organization of Ireland has the closest links with the UK's IMU.

In Italy, there are two types of auditing activities and, according to them, two different professional organizations - CNDC and CNR. Today, there are no relevant requirements for these auditors, according to which they would be subject to independent external quality control of their activities either from the professional bodies or from other auditors. The issue of the transfer by the Ministry of Justice of powers to external audit of the quality of audit activity to the hands of professional bodies is still debatable. CNDC and CNR are currently working together to prepare a document on audit quality control.

In Luxembourg, auditors coordinate their professional activities with the requirements set out in the Eighth Directive of the Law "On Control over the Work of Enterprises". All of them are members of the Institute for Enterprise Control. The Ministry of Justice is fully responsible for the certification of auditors and the deprivation of their certificates. In 1995, the Institute established the Commission, which deals with issues of external quality control audit. In 1997, this Commission carried out the so-called "horizontal" audit quality control for all auditors who are mandatory members of the



Institute [13; 14].

In the Netherlands there are two categories of auditors: RA auditors and AA auditors. Both of them and others carry out their professional duties strictly adhering to the law of the country. Each category has its own institution. It should be noted that since 1993 AA auditors are undergoing an additional course of educational training, which allows them to carry out an external audit in subsequent activities [7].

In Norway, there are two categories of auditors licensed by the Banking, Insurance and Securities Commission. The same Commission is the supervisory body for auditors that are under the control of the Ministry of Finance. There are two different institutions for auditors in the country: NSRF for public auditors and NRRF for registered auditors. In 1991, NSRF decided to introduce a system of external quality control audit through monitoring. This system is aimed at verifying the activities of each auditor that is part of it. Since 1993, such control is mandatory for all NSRF members without exception. In addition, all members of the external audit organization are subject to a five-year "pyer" check conducted by one of the 20 auditors authorized to do so. At present, serious work is under way to re-evaluate the existing system. Changes are made to the procedures and methods of external control.

In Portugal, external auditors belong to the professional organization CROC, which functions as a monitoring organization. The Audit Chamber (CROC) is responsible for registering auditors, discipline, auditing standards, auditing quality and ethical standards.

In 1993, the Chamber approved the composition of the Special Commission for the implementation of the system of external quality control. In 1994, the system of checking "pir" was introduced for the first time. Over time, this system of external quality control audits has spread and encompassed all the auditors registered by the Chamber. After the control, the auditor writes an audit report and submits it to the External Audit Commission, which, after reviewing such reports, may transfer them to the Chamber's Supervisory Board, if this is necessary. Copies of reports on companies registered on the stock exchange are transmitted to the regulator of the stock market [7].

In Romania, auditors who carry out external audits are part of the organization of Qualified and Certified Accountants. According to the country law, auditing is mandatory for all limited liability companies, joint-stock companies and state-owned enterprises.

In 1996, at the Congress of Romanian Auditors, it was decided to organize an external quality control system to audit the activities of



individual auditors and audit firms. The basis for monitoring was the Law on the organization and functioning of the existing institution of highly qualified and certified accountants, adopted in 1994. Each external auditor is subject to a "pir" audit every five years [7].

In Slovenia, licensed certified auditors are mandatory members of the Audit Institute, which was founded by a separate, closed Association of accountants, financiers and auditors. However, since 1993, when the Law on Audit in Slovenia was adopted, this Institute became an autonomous, independent organization [7].

Since 1996, the Audit Committee, which operates within the framework of the Institute of Auditors, is responsible for the implementation of external quality control, a system of checking "pir" was introduced that is used in the process of controlling both auditors and firms. In 1995, the Audit Committee issued the "Regulation on the Monitoring of Audit Firms and Auditors".

External auditors who carry out audits of quality must have an auditor's experience in an audit company registered at the Stock Exchange for at least 10 years. The responsibilities of the permanent staff of such an organization as SNNC include planning of permanent external control and verification of findings made by auditors. Meetings between the audited auditors and the auditors who control the quality of the audit work, in which the participants jointly discuss the reports presented by the external auditors, are held in the CNSS.

If we summarize, then we can conclude that the quality control of the audit services is concerned not only with the auditors themselves but rather with the potential and actual users of the results of their services. At the same time, it should be noted that in some countries control functions are transferred to state ministries or departments or stock exchanges - regulators of relations in the corporate sphere. And the external control over audit services is more widespread for audit firms that do not function at all in this market, and provide professional services to corporations or business associations whose reporting is made public.

Summarizing the previous investigations, we have to note that the Ukrainian audit does not differ substantially from world experience, as if the presence of an audit regulator - the APU, whose analogues by name are primarily in Europe, but by status - there is nowhere.

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