

**AQuR SYSTEM:
AUGMENTING AUDIT QUALITY IN MALAYSIA**

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SUMMARY

In July 2006, the Malaysian Institute of Accountant (MIA) has adopted the International Standards on Quality Control 1 (ISQC 1) as part of the approved standard of auditing in Malaysia. In assisting the implementation of ISQC 1 among audit firms, a guideline on the ISQC 1 requirement is essential. A checklist, which is aimed to guide audit firms in complying with ISQC 1, was developed based on ISQC1 requirements, ISQC 1 manual and MIA By-Laws. The checklist has incorporated seven elements of ISQC 1: leadership responsibilities for quality within the firm, ethical requirements, acceptance and continuance of client relationships and specific engagements, human resource, engagement performance, monitoring and documentation. It has gone through several corroboration processes including validation by selected audit practitioners. A focus group interview has been conducted to gain the perceptions of the practitioners on the implementation of ISQC 1 in their firms. Results showed that most of them are lack of exposure and knowledge on the ISQC 1 requirements. Therefore, due to this matter, most of the practitioners have pessimistic perceptions regarding the implementation of ISQC 1. Various constructive feedbacks from audit practitioners were then incorporated in enhancing the checklist. Upon completing the validation process, the checklist was then converted into a portal which provides an on-line quality assessment for the audit firms with an integrative result. This portal, which is named “AQuR System” is hoped to emulate as a self review portal that would assist audit firms in improving and enhancing their governance on audit service quality.

CHAPTER 1: INTRODUCTION

1.1 Background

Audit quality is viewed as one of the important factors that affect the credibility of financial statements (Arrunada, 2004). Users are more likely to demonstrate high level of confidence on the information presented in the financial statements if the audit of the financial statements is perceived to be of high quality. Assessment on audit quality of audit firms ensures that an audit firm's processes are systematic and effective (Brinkley, 2006). Auditing the auditors through external evaluations is becoming a driving force of continuous improvement for the profession (Brinkley, 2006). To compete successfully in this environment, audit firms must continually strive to improve audit quality and hence, maximize client satisfaction.

Recent development concerning audit quality control by International Federation of Accountant (IFAC) has required audit firms to comply with the International Standards on Quality Control (ISQC 1). Malaysian Institute of Accountant (MIA) has, in July 2006, adopted ISQC 1 as part of the approved standard of auditing in Malaysia. In essence, ISQC 1 focuses on the quality of audit performed by the audit firms and they are expected to comply with the standard. Nevertheless, evidence showed that the implementation to of ISQC 1 is rather limited in Malaysian small and medium audit firms (Omar & Johari, 2007). Small and medium audit firms tend to operate based on non-standard operating procedures, which essentially does not reflect total compliance with ISQC 1.

1.2 Research Problem

Based on the guidelines stated in ISQC 1, compliance with the standard is perceived as high audit quality. Although large audit firms have been argued and associated with high audit quality (DeAngelo, 1981), very limited studies have measured audit quality using an objective measure (Krishnan & Schauer, 2000). Past studies have indirectly inferred that large audit firms as a proxy for high audit quality (DeAngelo, 1981; Carcello et al., 1992; Krishnan & Schauer, 2000). However, stakeholders want to know the variation of audit quality among all audit firms.

1.3 Research Objectives

This study has two main objectives. The first objective is to develop self-review checklist to assist the audit practices assessing their own audit quality control. By using the checklist, the audit firms are expected to gauge on their own the level of quality for their audit work. The second objective is to set-up a system for this assessment through an on-line web-portal. The portal provides a convenient and an interactive system to audit firms. This institutional self review portal will indirectly motivate and persuade audit firms to monitor and improve their audit quality.

1.4 Contribution of the Study

This study is hoped to contribute to the improvement in the quality control of audit practices in Malaysia. This study is not aimed to strengthen the proposition that larger audit firms deliver higher audit quality compare to the smaller ones, but to provide a more objective appraisal of audit quality in audit firms. The self-assessment checklist extends

previous studies in the development of an objective measure. The checklist would enable audit firms to self-assess their service and to recognize any deficiency that could have compromised audit quality.

CHAPTER 2: LITERATURE REVIEW

2.1 The Search for Audit Quality

The demand for auditing services arises from a need to facilitate dealings between the parties involved in business relationships-shareholders, creditors, public authorities, employees and customers, etc (Arrunada, 2000). The accounting profession has faced increasing pressure from external parties to monitor and improve the quality of the audit process (Sutton, 1993). There are numerous of previous research done on studying multi-aspects of audit quality. The strong interest in examining audit quality is partly due to the concern of issues such corporate collapse, expectation gaps and corporate governance.

One of the main areas in audit quality literature is the association between audit quality with audit firm size. As suggested by DeAngelo (1981), larger firms provide higher-quality audits because larger firms have fewer incentives to compromise their standards to ensure retention of clients in comparison with smaller firms. Audits performed by large audit firms are perceived to be of higher expected quality than audits by small firms. Also, Palmrose (1988) finds that large auditors have lower litigation rates than small auditors. Similarly, Dupoch and Simunic (1982) also found that audit quality is a function of the number and extent of audit procedures performed by the auditor and that larger firms have more resources with which to conduct tests. In addition, Moore and Scott (1989) demonstrate analytically that audit firm size and the extent of audit work undertaken are positively related.

Although past studies have supported that high audit quality is related to firm size, the extent of audit quality for each firm requires a more objective measurement of audit quality. For example, Carcello et al. (1992) assessed audit quality based on the perceptions of auditors, preparers and users. Using twelve components of audit quality, Carcello et al. (1992) suggested that four components to be most important in determining audit quality. The components include audit team and firm experience with the client, industry expertise (especially within the audit team), responsiveness to client needs, and compliance with the general standards (competence, independence, and due care) of generally accepted auditing standards (GAAS).

Sutton (1993) argued that there is a need for accounting researchers to develop objective measure in evaluating process quality. Sutton (1993) has attempted to develop a set of factors for influencing various stages of the audit process. The selection of the factors is done by the auditors of large audit firms. An audit quality factor is defined to the participants as any variable affecting the audit team's ability to achieve the level of audit quality desired. He identified four stages of audit process: engagement planning, interim fieldwork, year-end fieldwork and final administration. The study also develops the monitoring process or performance indicators for each quality factors included in the respective stages (Sutton, 1993). His results support that there exists a consensus among experienced auditors on a set of key audit quality factors which have a significant impact on overall audit quality.

Krishnan and Schauer (2000) examined the association between auditor size and audit quality for a sample of non-profit organizations. Using the compliance score analysis on eight GAAP reporting requirements to assess audit quality, they found that audit reporting was inconsistent among the non-profit organizations. Of the eight reporting requirements examined, noncompliance is highest for those that pertain specifically to non-profit organizations such as disclosures about pledges and donated materials. Results also show that the extent of noncompliance decreases as one moves from the small non-Big 6 (now known as Big 4) to the large non-Big 6 and from large non-Big 6 to the then Big 6.

The development of objective audit quality has been further extended to cover firm level rather than engagement level only. For example, a guideline has been presented by expert representatives from State Auditors Institution (SAI) concerning audit quality for public auditors. After a series of discussion and meetings, the committee finalize that there are three different audit quality attributes that should be taken care of (Mazur et al., 2005). First, it involves the quality control system. Second, the study also includes one important attributes of audit quality which is quality assurance. Last, the audit quality control system includes the institutional management such as managing human resources, institutional risk and external relations. This guideline is proposed for all SAIs to apply in both courts and offices, and to all audits, both regularity and performance.

2.2 International Standard on Quality Control 1 (ISQC 1)

In 2004 the International Auditing and Assurance Board (IAASB), of the International Federation of Accountants (IFAC) has approved the International Standard on Quality Control (ISQC 1) concerning the quality control for firms that perform audits and reviews of historical financial information and other assurance and related services engagements. In line with the requirement by IFAC, Malaysian Institute of Accountants (MIA) has imposed that all registered accountants and auditors (practitioners) in Malaysia to comply with the new quality control standards by 30 June 2006. The standards introduce several new concepts and requirements in respect of quality control within auditing firms. As a result, practitioners face with additional responsibilities in respect of implementing new quality control safeguards and procedures.

ISQC 1 is different from *ISA 220 “Quality Control for audits of Historical Financial Information”* which sets out the quality control standards to be applied to individual audit engagements. On the other hand, ISQC 1 deals with firm wide quality control which provides reasonable assurance that firms and its personnel comply with professional standards and regulatory and legal requirements; and reports issued by the firm or engagement partners are appropriate in the circumstances (Holt, 2006, p.14). ISQC 1 sets out six quality control elements that must be rigorously and comprehensively addressed. It covers (1) leadership responsibilities for quality within the firm; (2) Ethical requirements; (3) Acceptance and continuance of client relationships and specific engagements; (4) Human resource; (5) Engagement performance; and (6) Monitoring. The standard requires

audit firms to document evidence of the operation of each of the six elements of its quality control system and retain that documentation for an appropriate period.

CHAPTER 3: METHODOLOGY

3.1 Development of ISQC 1 Self-Assessment Checklist

The development of the checklist involved three different stages. First, the researchers formed common themes of ISQC 1 dimensions based on several sources. This study refers to the ISQC1 requirements (MASA 2007), ISQC 1 manuals issued by MIA, MIA Practice Review Questionnaires, MIA By-Laws, Australia Questionnaires on Quality Control for Firms and Pakistan's ISQC 1 Review Self-assessment Questionnaire. A series of brainstorming sessions has been conducted to identify the critical factors for each element of ISQC 1.

Second, a review with two representatives from the MIA was conducted. The representatives were the manager of technical development and the manager of practice review. MIA requires a practice review for all audit firms which includes compliance on the ISQC 1 and ISA 220. Both of the representatives have thoroughly checked the format, design and questions of the checklist. The checklist was further revised according to their comments.

Third, this study also uses a focus group interview with ten audit practitioners to evaluate each item of the checklist. This method has been applied previously in Sutton (1993). In this session, the practitioners provided their inputs and discussed in detail the relevancy and usefulness of each question. Among the feedbacks given are that some of the requirements in the ISQC 1 are not suitable to be implemented in a small and medium

audit firms. Lack of awareness on the requirements of ISQC 1 is another feedback that gained strong support from majority of the practitioners. Besides feedback on the questions in the checklist, participants were also required to provide their feedback on the overall format of the checklist. The conclusion of this session was marked by group consensus.

3.2 Initial Implementation Process: AQuR System Portal

Once the checklist has been considered satisfactory after various amendments were made based on the feedbacks given, it is then converted into a web-based checklist named as “AQuR System”. A series of discussion and trial run sessions were done to finalize the portal. At this stage, input from MIA and Malaysia Accounting Research and Education Fund (MAREF) were also considered. Audit firms will be notified by MIA to access the website and voluntarily self-assess their audit quality. They are encouraged to fill up the checklist prior to the practice review, where representatives from MIA will physically visit selected samples of audit firms.

CHAPTER 4: ANALYSIS

4.1 Development of ISQC 1 Checklist

There are seven dimensions of the quality control in ISQC 1 (refer to *Figure 1*). Details of the definition for each dimension are shown in *Appendix 1*.

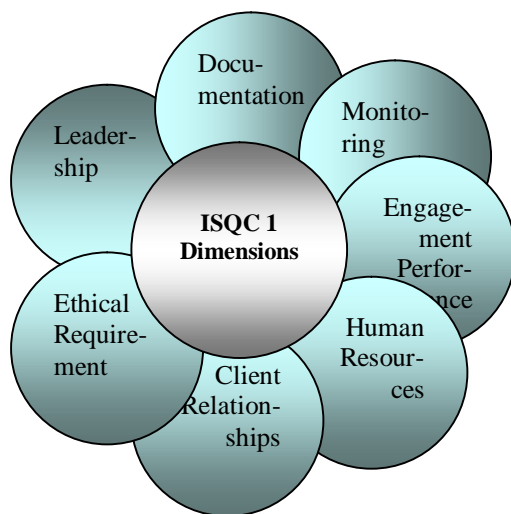


Figure 1: Dimensions of ISQC1 Audit Quality Control Dimensions

The structure of the checklist consists of two parts (refer to *Figure 2*). The first part presents questions on the policy and procedures and the second part presents questions regarding the practices.

Part	Explanation
Policy and Procedures	The part presents the questions on the policy and procedures on each elements of ISQC 1. The questions shall be answered using “YES” or “NO” option.
Practices	The part comprises of questions on the practices of each elements of ISQC 1. Each indicator shall be answered using four-scale options.

Figure 2: ISQC1 Self-assessment Checklist - Format

Questions on the practices shall be answered using four different indicators. The scale enables the audit firm to assess the degree to which practices and/or processes are in place that indicate adherence to the indicators. The audit firm may choose if the practices and/or processes are highly functional, operational, emerging or not evident (refer to *Figure 3*). The firm should use the scale as an opportunity to ask itself challenging questions and to respond with accurate answers geared toward self-improvement.

Indicator	Explanation
Not evident	No evidence/ documentation exists
Emerging	Evidence indicates early or preliminary stages of implementation
Operational	Evidence indicates practices and procedures are actively implemented
Highly functional	Evidence indicates practices and procedures are effectively and consistently implemented

Figure 3: Self-assessment Checklist - Definitions of Scale

Based on the discussion with the practitioners, the finalized questions for each dimension were agreed consensually. Details of the question items are shown in *Appendix 2*.

4.2 Development of AQuR System

The second stage of this study is to develop the portal known as AQuR System for the institutional self review on the quality of audit firm. All the information in the checklist prepared in the first stage is transferred to the portal. The portal is developed based on the dimension in ISQC 1, of which each dimension is categorized into “Policies and Procedures” and “Practices”. There are different windows for different dimension of which users of the portal can access to any window integratively. The cover page of the portal is shown in *Figure 4* where audit firms may access the portal by registering to the database.

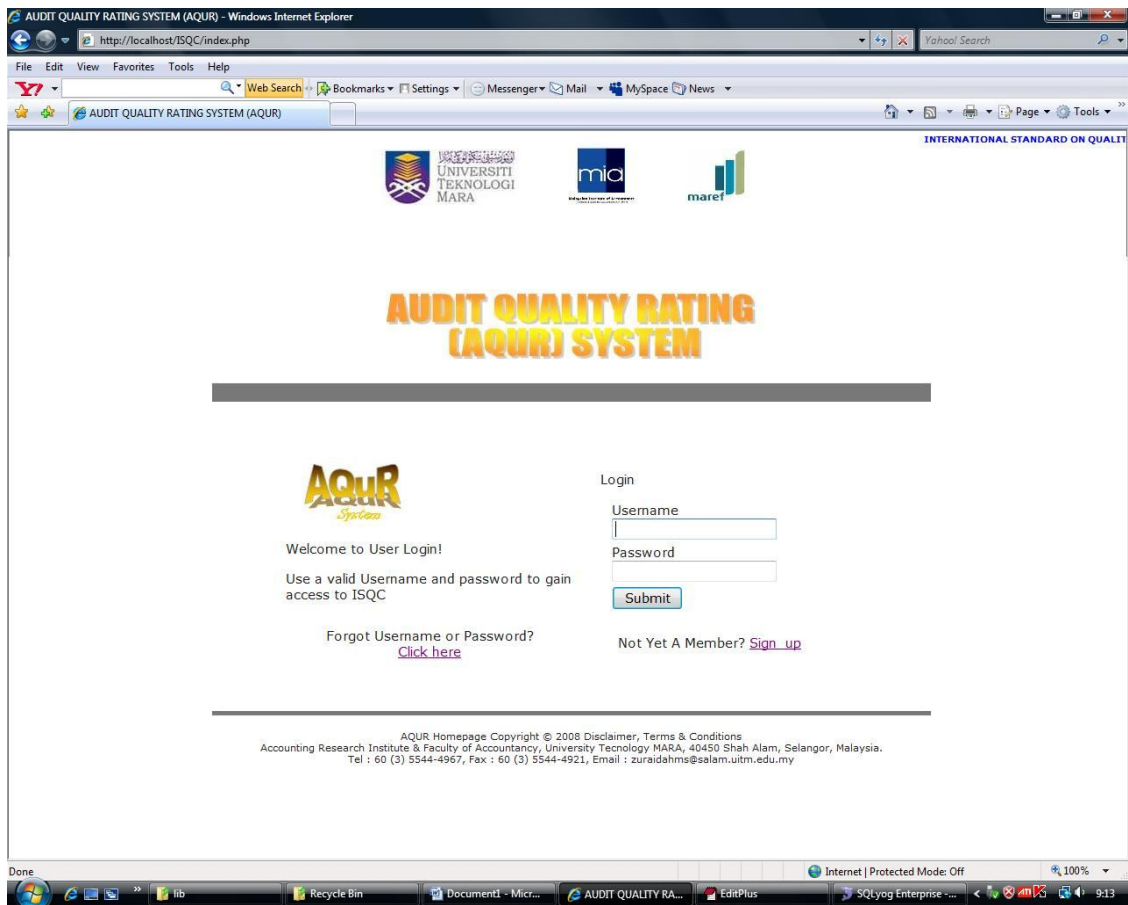


Figure 4: Log-in Page of the AQuR System Portal

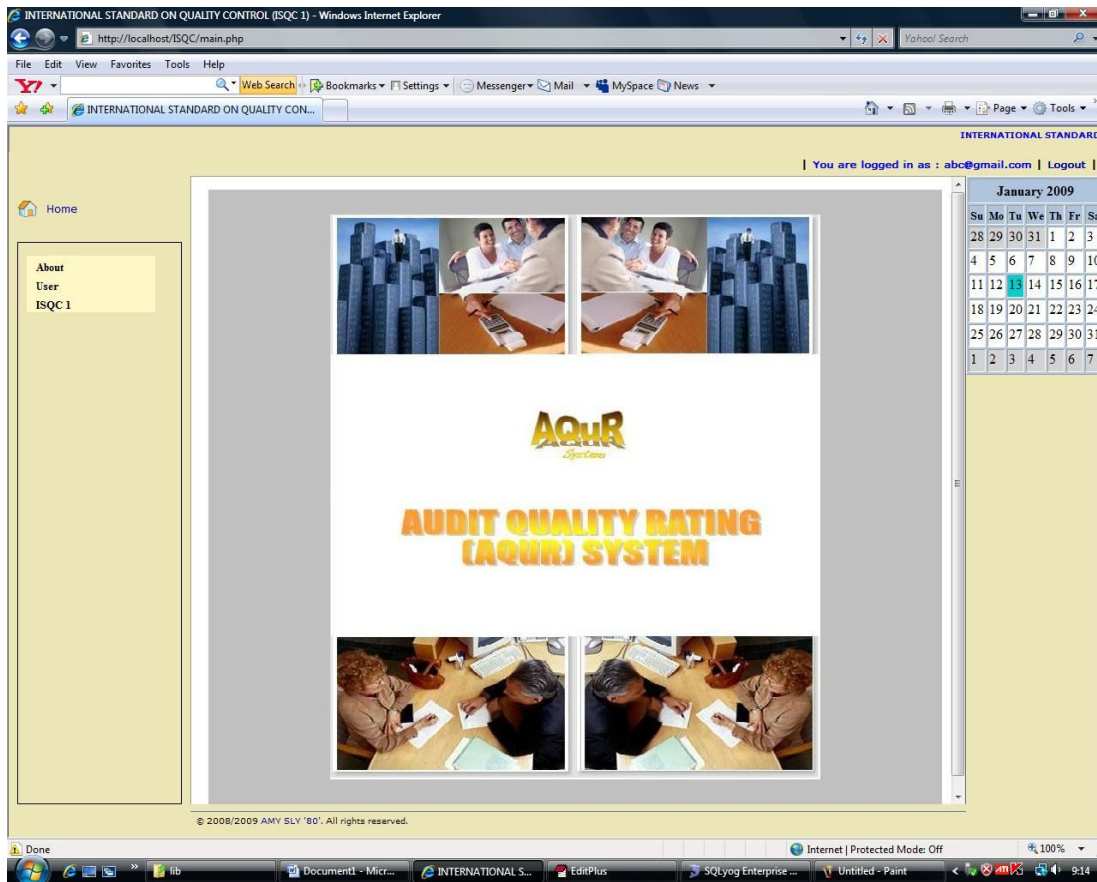


Figure 5: Background of the AQUr System Portal

Once the users have accessed the portal, the background page will be displayed menu toolbars as shown in *Figure 5*.

Figure 6a and 6b demonstrate the sample of one element of ISQC 1 checklist. The questions are all presented in a single page. Users can choose the option given in the page. They can make changes in the option of the answers and save their work accordingly. Users are also allowed to go to other elements without following the order of the menu list. Once they have completed each element, users can see the result of the section by clicking the 'result' menu button.

INTERNATIONAL STANDARD ON QUALITY CONTROL (ISQC 1) - Windows Internet Explorer

http://localhost/ISQC/main.php

File Edit View Favorites Tools Help

Web Search Bookmarks Settings Messenger Mail MySpace News

INTERNATIONAL STANDARD ON QUALITY CON...

You are logged in as : abc@gmail.com | Logout

Home

About

About This Checklist

User

Company Profile

Change Password

ISQC 1

Instruction

Declaration

Leadership

Ethical

Client Relationships

Human Resources

Performance

Monitoring

Documentation

Result

1. LEADERSHIP RESPONSIBILITIES FOR QUALITY WITHIN THE FIRM

ISQC 1.9: "The firm shall establish policies and procedures designed to promote an internal culture based on the recognition that quality is essential in performing engagements. Such policies and procedures shall require the firm's chief executive officer (or equivalent) or, if appropriate, the firm's managing board of partners (or equivalent), to assume ultimate responsibility for the firm's system of quality control."

I. POLICIES AND PROCEDURES		Yes	No
In fulfillment of the ISQC 1 requirements, your firm :			
1.1	Allocates sufficient resources for the development, documentation and support of its quality control policies (ISQC 1.11)	<input type="radio"/>	<input checked="" type="radio"/>
1.2	Assigns operational responsibility to appropriate person for the system of quality control (ISQC 1.12)	<input checked="" type="radio"/>	<input type="radio"/>

II. PRACTICES		Not evident	Emerging	Operational	Highly Functional
In fulfillment of the ISQC 1 requirements, the management of your firm :					
1.3	Aims in achieving quality in all engagements (ISQC 1.10)	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
1.4	Emphasizes on firm's quality control system in complying with professional standards and regulatory and legal requirements (ISQC 1.10)	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
1.5	Exerts positive influence on the quality auditing culture of the firm (ISQC 1.10)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>

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Figure 6a: Sample Content of the On-line Questions from AQuR System Portal

INTERNATIONAL STANDARD ON QUALITY CONTROL (ISQC 1) - Windows Internet Explorer

http://localhost/ISQC/main.php

INTERNATIONAL STANDARD ON QUALITY CONTROL (ISQC 1)

You are logged in as : abc@gmail.com | Logout |

Home

About
About This Checklist
User
Company Profile
Change Password
ISQC 1
Instruction
Declaration
Leadership
Ethical
Client Relationships
Human Resources
Performance
Monitoring
Documentation
Result

2. ETHICAL REQUIREMENTS

ISQC 1.14: "The firm shall establish policies and procedures designed to provide it with reasonable assurance that the firm and its personnel comply with relevant ethical requirements."

I. POLICIES AND PROCEDURES		Yes	No
In fulfillment of the ISQC 1 requirements, your firm:			
2.1	Establishes policies and procedures that provide reasonable assurance that your firm, partners and staff comply with the fundamental principles of professional ethics that include integrity, objectivity, confidentiality, professional competence and due care, professional behavior and independence (ISQC 1.15) <i>* refer to Appendix A for further details of fundamental principles - source MIA By-Laws</i>	<input type="radio"/>	<input type="radio"/>
2.2	Establishes policies and procedures to identify and promptly notify the threats to independence (e.g., self-interest threats, self-review threats, advocacy threats, familiarity threats and intimidation threats) (ISQC 1.18 & 1.19) <i>* refer to Appendix B for further details of threats to independence - source MIA By-Laws</i>	<input type="radio"/>	<input type="radio"/>
2.3	Establishes policies and procedures requiring the rotation of the engagement partner and the engagement quality control reviewer after a specified period (ISQC 1.27)	<input type="radio"/>	<input type="radio"/>

II. PRACTICES		Not evident	Emerging	Operational	Highly Functional
In fulfillment of the ISQC 1 requirements, the management of your firm:					
FUNDAMENTAL PRINCIPLES					
2.4	Performs inquiry and observation to evaluate that all partners and staff who are engaged in audit / other assurance work maintain the	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

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Su	Mo	Tu	We	Th	Fr	Sa
28	29	30	31	1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31
1	2	3	4	5	6	7

Figure 6b: Sample Content of the On-line Questions from AQuR System Portal

The result section demonstrates the score for each element as well as the overall score. The score assessment would be weighted according to the importance of each dimension as well as the type of questions (either policies and procedures or practices). Audit firms may receive scores for each dimension as shown in *Figure 7*.

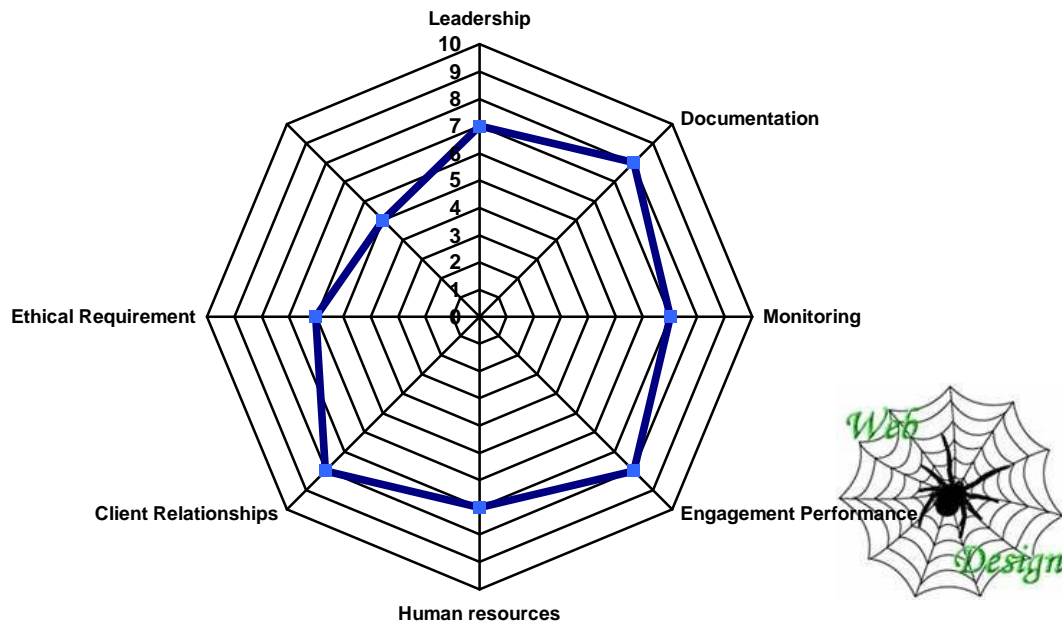


Figure 7: ISQC1 Self-assessment Score

Once the determination of the scores of each dimensions has been calculated, audit firms will received the overall score. This score is ranked into five different scales (refer to *Figure 8*). The overall assessment score indicates the firm's overall assessment of meeting the ISQC 1.

Level of achievement	Score
Good to best practice in many areas	91-100%
Good to best practice in at least one area	81-90%
Meets minimum standards	71-80%
Needs significant improvement in at least one area	61-70%
Needs significant improvement in many areas	0-60%

Figure 8: Overall Score Assessment

CHAPTER 5: CONCLUSION

5.1 Discussion

Very limited studies have examined the issue of audit quality directly in audit firms. Most of previous researches have used size of audit firm as the proxy of audit quality. This study, however, shows a direct proxy measure for audit quality. This study develops a self-review checklist of audit quality control based on the requirements in ISQC 1 as well as input from other standards. Using a focus group interview, it is hoped that the feedback gathered from the audit practitioners may contribute towards enhancing understanding of audit quality as well assisting in the improvement of the checklist itself. Audit practitioners are encouraged to assess their own audit quality by leveraging on the AQuR System portal.

Preliminary findings on the implementation of ISQC 1 could assist the auditing profession in monitoring the quality of the audit process as well as the audit firms. This approach is hoped to help the audit practitioners to assess their efficiency and effectiveness of their audit firms based on standards and benchmark information given in the ISQC 1. In doing so, MIA has fully supported this project and closely worked with the model provided in other countries such as Australia and Pakistan. Audit quality is an increasingly important issue and should be a useful area of exchange of national experiences (Mazur et al., 2005).

5.2 Practical Implications

The audit quality control assessment provides a practical implication such that this is to enhance the governance of audit quality control among audit firms. A well-recognized audit quality of the organization would make customers' choices easier and lowers their expectation of risk. It also builds loyalty, leads to repeat business, and encourages current clients to refer the organization to others (Brinkley, 2006).

AQuR System portal is a developed to measure the quality of audit work performed by audit firms. The rating system is expected to benchmark audit firms against the industry best practices. AQuR System will supply independent analysis regarding quality performance to the audit firms that will enable audit firms to provide high quality audit to the clients.

5.3 Limitation and Future Studies

This self review checklist is not meant for a pass-fail test or a competition. It is designed as a diagnostic tool in order to enhance understanding of each firm in comparison to the aspirational practices described in ISQC 1. The score assessment produce via AQuR System could assist the management of the audit firms to identify areas for improvement to enhance their audit quality.

Nevertheless, the implementation of AQuR System would not be successful without cooperation and participation from audit practitioners. Therefore, it is hoped that with the

joint effort of many parties, such as MIA and the audit firms, the awareness and acceptance on the importance of having good quality audit will be augmented to a higher level.

Pursuant to the development of AQuR System, future research will be based on the acceptance and usage of the portal towards enhancing the quality of audit. Furthermore, due the importance of having good quality audit, more research should explore other areas that relate to audit quality such as customer service satisfaction, customer loyalty, auditors switching and auditors turnover.

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Appendix 1: Definition of ISQC 1 Elements

No.	Element	Definition
1.	Leadership responsibilities for quality within the firm	The firm shall establish policies and procedures designed to promote an internal culture based on the recognition that quality is essential in performing engagements. Such policies and procedures shall require the firm's chief executive officer (or equivalent) or, if appropriate, the firm's managing board of partners (or equivalent), to assume ultimate responsibility for the firm's system of quality control
2.	Ethical requirements	The firm shall establish policies and procedures designed to provide it with reasonable assurance that the firm and its personnel comply with relevant ethical requirements
3.	Acceptance and continuation of client relationships and specific engagements	The firm shall establish policies and procedures for the acceptance and continuance of client relationships and specific engagements, designed to provide it with reasonable assurance that it will only undertake or continue relationships and engagements where it: (a) Has considered the integrity of the client and does not have information that would lead it to conclude that the client lacks integrity; (b) Is competent to perform the engagement and has the capabilities, time and resources to do so; and (c) Can comply with relevant ethical requirements
4.	Human resources	The firm should establish policies and procedures designed to provide it with reasonable assurance that it has sufficient personnel with the capabilities, competence, and commitment to ethical principles necessary to perform its engagements in accordance with professional standards and regulatory and legal requirements, and to enable the firm or engagement partners to issue reports that are appropriate in the circumstances
5.	Engagement performance	The firm should establish policies and procedures designed to provide it with reasonable assurance that engagements are performed in accordance with professional standards and regulatory and legal requirements, and that the firm or the engagement partner issues reports that are appropriate in the circumstances

6.	Monitoring	The firm should establish policies and procedures designed to provide it with reasonable assurance that the policies and procedures relating to the system of quality control are relevant, adequate, operating effectively and complied with in practice. Such policies and procedures should include an ongoing consideration and evaluation of the firm's system of quality control, including a periodic inspection of a selection of completed engagements
7.	Documentation	The firm shall establish policies and procedures for the documentation to provide evidence of the operation of each element of the system of quality control

(Source: MASA 2007)

Appendix 2: Question Items for Each Element of Quality Control Checklist

LEADERSHIP RESPONSIBILITIES FOR QUALITY WITHIN THE FIRM

- Allocates sufficient resources
- Assigns appropriate person
- Aims in achieving quality in all engagements
- Emphasizes on firm's quality control system
- Exerts quality auditing culture

ETHICAL REQUIREMENTS

- Complies with the fundamental principles of professional ethics
- Identifies and promptly notify the threats to independence
- Requires the rotation of the engagement partner and the engagement quality control reviewer
- Takes action on non-compliance with relevant ethical requirements
- Requires partners and staff members to make independence declaration at least annually

ACCEPTANCE AND CONTINUANCE OF CLIENT RELATIONSHIPS AND SPECIFIC ENGAGEMENTS

- Address the element of acceptance and continuance of client relationship and specific engagements
- Ensures that the personnel assigned the following matters in acceptance and continuance of client relationship and specific engagements
- Employs an assessment criteria on client's integrity
- Discusses with the appropriate level of client management and those charged with governance regarding the reasons for withdrawal and the appropriate action to be taken

HUMAN RESOURCE

- Establishes policies and procedures dealing with the personnel issues
 - Communicates the above policies and procedures to the partners and staff members
 - Plans future staffing needs
 - Provides continuous training for partners and staff members
 - Communicates the identity and role of the engagement partner to client
 - Ensures the engagement partner(s) has the capabilities, competencies, authorities and time to perform their engagements
 - Defines and communicates clearly to the engagement partner of his or her responsibility
 - Assigns appropriate staff with the necessary capabilities, competency and time to perform engagements
 - Conducts partners and staff members' appraisals on regular basis
 - Offers appropriate remuneration package
-

ENGAGEMENT PERFORMANCE

- Designs the quality of engagement performance for example through audit manual, standardized documentation, specific guidance materials and software tools
- Undertakes appropriate consultation with experts within or outside the firm to resolve difficult and contentious matters
- Resolves differences of opinion by consulting other practitioners, professional body or regulatory body
- Completes the assembly of final engagement files on a timely basis after the engagement reports have been finalized
- Maintains the confidentiality, safe custody, integrity, accessibility and retrievability of engagement documentation
- Conducts quality control review in a timely manner

MONITORING

- Establishes policies and procedures designed to provide reasonable assurance that the system of quality control is relevant and adequate
- Establishes policies and procedures on complaints and allegations relating to the system of quality control
- Ensures inspections of the engagement are conducted regularly
- Evaluates the effect of deficiencies noted as a result of the monitoring process

DOCUMENTATION OF SYSTEM OF QUALITY CONTROL

- Establishes policies and procedures requiring appropriate documentation to provide evidence on the operation of the six elements of the quality control system
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