

The possibility for audit firms to rely on the requirements of quality control system - a field study in eastern Algeria

إمكانية اعتماد مكاتب التدقيق على متطلبات نظام رقابة الجودة - دراسة ميدانية بالشرق الجزائري

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Received: 10/01/2022

Accepted: 30/03/2022

Published: 31/03/2022

Abstract:

This study aims to identify the extent to which audit firms in Algeria adopt the policies and procedures of the quality control system in accordance with the requirements of the International Standard for Quality Control 1, due to the absence of an Algerian standard for quality control.

The study develops a self-assessment checklist of audit quality control based on the requirements in ISQC 1. From the results of the interview with 10 audit firms in the east of Algeria, our study shows that audit firms adopt some policies and procedures of the quality control system (QCS) on their operations in accordance with the requirements of ISQC1, which is expected to reflect positively on the quality of the performance of their operations and thus achieve the quality of services of these firms. The self-assessment checklist indicates the awareness of auditors of the necessity and importance of applying the policies and procedures of the quality control system to achieve quality professional performance for audit firms in Algeria.

Keywords: Audit quality; Quality control; System of quality control; International standard of quality control 1; audit firm's performance.

JEL Classification Codes: M40, M42

ملخص:

تهدف هذه الدراسة إلى التعرف على مدى اعتماد مكاتب التدقيق الجزائرية على سياسات وإجراءات نظام رقابة الجودة بما يتوافق مع متطلبات المعيار الدولي لرقابة الجودة 1، في ظل عدم تبني معيار جزائري لرقابة الجودة. حيث تم تطوير قائمة تقييم ذاتي وفقا لمتطلبات المعيار الدولي لرقابة الجودة /ISQC1، و بناء على نتائج المقابلة مع 10 مكاتب تدقيق في الشرق الجزائري، توضح نتائج دراستنا أن مكاتب التدقيق محل الدراسة تتبنى بعض سياسات وإجراءات نظام رقابة الجودة (QCS) على عملياتها وفقا لمتطلبات المعيار الدولي لرقابة الجودة 1، والتي من المتوقع أن تنعكس بشكل إيجابي على جودة أداء عملياتها، وبالتالي تحقيق جودة التدقيق الخارجي، وتشير نتائج التقييم الذاتي إلى وعي المدققين بضرورة وأهمية تطبيق سياسات وإجراءات نظام رقابة الجودة لتحقيق أداء عالي الجودة في مكاتب التدقيق الجزائرية.

كلمات مفتاحية: جودة التدقيق، رقابة الجودة، نظام رقابة الجودة، المعيار الدولي لرقابة الجودة 1، أداء مكاتب التدقيق.

تصنيفات JEL: M42، M40

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1- INTRODUCTION:

Nowadays, the issue of quality audit services has become very important. The conditions of the crisis increase the information risk. Users of financial statements are placing ever-greater demands on their accuracy, timeliness, and transparency.

Many professional organizations, such as the International Federation of Accountants (IFAC) and the International Auditing and Assurance Standards Board (IAASB), have focused on quality control systems and applying international quality control standards, such as (ISA220) Quality Control for an Audit of Financial Statements and (ISQC1) the International Standard on Quality Control 1, in order to promote audit quality.

In this context, Algeria has sought to achieve the quality of external auditing, as well as to create an environment in which audit firms operate and provide high-quality services, as well as to ensure the continuous training of auditors, providing the means to monitor them, and then adopting legislative frameworks, particularly after the promulgation of Act No. 10/01 and the establishment of the Quality Control Commission in Algeria, thereby attempting to improve the quality of professional performance of Algerian auditors, both through the legislative and regulatory framework and the issuance of Algerian auditing standards.

With regard to the quality of external audit, since then, in the light of our research, a quality control standard has not yet been adopted in Algerian auditing firms, which includes the development of a quality control system, but more recently, the Quality Control Commission of Algeria has submitted a quality control manual and a self-verification manual for audit firms and accounting professionals according to ISA 220.

The problem of the study: It is an attempt to investigate the role of the system of quality control in audit firms if they will rely on the policies and procedures of this system and how it will affect their services and missions after the application of the policies and procedures of the system of quality control in audit firms.

This problem can be expressed through several questions related to the possibility of relying audit firms in eastern Algeria on the requirements of the quality control system in accordance with the International standard on quality control 1 (ISQC1).

- Do audit firms rely on the requirements of quality control system according to the international standard on quality control 1?

In order to answer this research question, the following sub-questions are formulated:

- Do audit firms rely on the policies and procedures of leadership responsibilities for quality within the firm?
- Do audit firms rely on the policies and procedures of relevant ethical requirements?
- Do audit firms rely on the policies and procedures of acceptance and continuance of client relationships and certain engagements?
- Do audit firms rely on the policies and procedures of Human Resources?
- Do audit firms rely on the policies and procedures of engagement performance?
- Do audit firms rely on the policies and procedures of Monitoring?

These **hypotheses** are:

- Audit firms rely on the policies and procedures of Leadership responsibilities for quality within the firm.
- Audit firms rely on the policies and procedures of relevant ethical requirements.

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- Audit firms rely on the policies and procedures of Acceptance and continuance of client relationships and certain engagements.
- Audit firms rely on the policies and procedures of Human Resources.
- Audit firms rely on the policies and procedures of Engagement performance.
- Audit firms rely on the policies and procedures of Monitoring.

The importance of the study:

To know the extent to which auditors adopt the policies and procedures of the quality control system in accordance with the requirements of the International Standard for Quality Control 1, due to the absence of an Algerian standard for quality control in audit firms operating in Algeria, and this in light of the establishment of a quality control committee at the level of the National Accountability Council, on the other hand the issuance of a set of mandatory Algerian auditing standards and the Quality Control Manual for audit offices and professionals in the field of accounting.

The study objectives are:

The study attempts to achieve several objectives. First, it attempts to determine the extent of adopting the policies and procedures of the quality control system in an audit firm in accordance with the requirements of the International Standard for Quality Control 1.

Second, it attempts to indicate the awareness of audit firms of the necessity and importance of applying the policies and procedures of the quality control system to achieve quality professional performance for audit firms in Algeria.

Third, the study also adds more to the literature on quality control and systems of quality control, audit firms' performance, and the international standards of quality control.

The remainder of the study is structured to be as follows: section 1 is an introduction; section 2 presents the related literature and prior related research, whereas section 3 introduces its methodology. Section 4 lists the data analysis and results, while Section 5 provides the conclusions.

2- Literature Review and Prior Researches:

2-1 Literature Review

Assessment of the audit quality of audit firms ensures that an audit firm's processes are systematic and effective. De Angelo defines the quality of audit services as the market-assessed joint probability that a given auditor will both discover a breach in the client's accounting system and report the breach. The probability that a given auditor will discover a breach depends on the auditor's technological capabilities, the audit procedures, the extent of sampling, etc. The conditional probability of reporting a discovered breach is a measure of an auditor's independence from a given client. (DeAngelo , 1981, p. 186)

IAASB (2011) introduces a commonly used classification: audit quality can be viewed as a triangular system with inputs, outputs, and context factors at the three angles.

The product of the audit process can also reflect audit quality, which is the auditor's report. Furthermore, in a strict legal environment, corporate governance may have a positive relationship with audit quality (Bing, Huang, Anqi , & Xinyi , 2014, p. 9). One of the efforts to improve audit quality is by implementing a quality control system (QCS).

The International Federation of Accountants (IFAC) defines the quality control system as:

A Quality Control System (QCS) consists of policies designed to achieve the objective of the firm to establish and maintain a system of quality control to provide it with reasonable assurance that:

- (a) The firm and its personnel comply with professional standards and applicable legal and regulatory requirements;
- (b) The firm's or engagement partners' reports are appropriate in the circumstances, as are the procedures required to implement and monitor compliance with those policies (IAASB, 2020, pp. 47-48).

Another definition concerned the system of quality control as a system of policies, practices, and procedures adopted by the auditing company so that its management and the organization in general had reasonable assurance that auditing services were performed according to international standards, codes of professional ethics, and regulatory documents defining auditing practice (Verovska, 2013, p. 249).

Maintaining audit quality requires quality control systems that ensure that accountants stay on the right track. The system includes the firm's organizational structure, policies, and procedures, all of which are directed toward trust between professional engagement and the public accountant professional standard (Shahibah , Bambang, & Barid, 2020, p. 419).

The quality control system of the auditing organization implies: (Sabauri , 2019, p. 828)

- protection of independence, honesty, objectivity, confidentiality, and professional ethics by professional employees of the auditing organization;
- staffing the auditing organization with professionals who have relevant education, experience, and skills to fulfill their obligations;
- transfer of audit missions to professional employees whose qualifications correspond to the task specification;
- Perform all types of work during the audit based on guidelines and ongoing monitoring and control of the work done in compliance with the requirements of quality;
- In the event of a lack of experience or knowledge in specific circumstances, provide the personnel with appropriate consultations within and outside the audit organization;
- Creating and implementing a client hiring and firing procedure in auditing organizations. In addition, the independence of the audit organization and its ability to conduct a high-quality audit have to be taken into consideration, as well as the reputation of the heads of possible economic subjects for the purpose of future inspection;
- Regular checking of the reliability and efficiency of the functioning of the internal quality control system;
- Taking necessary measures against the employees of audit organizations in case of misconduct or improper accomplishment of the imposed obligations.

Based on the quality, attitude and behavior, audit quality can be achieved with the application of quality control systems elements consist of Leadership responsibilities for quality within the firm (LRA), Relevant ethical requirements (RE) , Acceptance and continuance of client relationships and certain engagements (ACR), Human Resources (HR), Engagement performance (EP), Monitoring (M) (IAASB, 2020, p. 51).

- **Leadership Responsibilities for Quality within the Firm (LRA)**

policies and procedures designed to promote an internal culture recognizing that quality is essential in performing engagements and to provide reasonable assurance that the firm leadership is responsible for the quality of the Firm, as well as any person or persons assigned operational responsibility for the firm's system of quality control has sufficient and appropriate experience and ability, and the necessary authority, to assume that responsibility.

- **Relevant ethical requirements (RE)**

Policies and procedures to provide reasonable assurance that the firm and its personnel comply with relevant ethical and independence requirements.

- **Acceptance and continuance of client relationships and certain engagements (ACR)**

quality control policies and procedures to determine whether the engagement of the client will be accepted or continued by considering client's competence, capability and resources and integrity, and other information.

- **Human Resources (HR)**

Policies and procedures to provide reasonable assurance that the assignment will be carried out by the appropriate personnel with the necessary competence, and capabilities to perform engagements in accordance with professional standards and applicable legal and regulatory requirements and to issue reports that are appropriate in the circumstances.

- **Engagement performance (EP)**

Policies and procedures to provide reasonable assurance that engagement are performed in accordance with professional standards and applicable legal and regulatory requirements.

- **Monitoring (M)**

Monitoring is the policies and procedures to provide reasonable assurance that the policies and procedures relating to the system of quality control are relevant, adequate, and operating effectively.

The elements of quality control are interrelated. For example, a firm continually assesses client relationships to comply with relevant ethical requirements including independence, integrity, objectivity, policies, procedures related to the acceptance and continuance of client relationships and specific engagements. Similarly, the human resources element of quality control encompasses criteria related to professional development, hiring, advancement, and assignment of firm personnel to engagements, all of which affect policies and procedures related to engagement performance. In addition, policies and procedures related to the monitoring element of quality control enable a firm to evaluate whether its policies and procedures for each of the other five elements of quality control are suitably designed and effectively applied (AICPA, 2016, p. 5).

Table (1): Purpose of elements of quality control system (QCS)

N	Items	Purpose
1	Leadership Responsibilities for Quality Within the Firm	To describe the firm's responsibilities to promote an internal culture focused on quality control
2	Relevant Ethical Requirements	To provide guidance on the fundamental principles which define professional ethics
3	Acceptance and Continuance of Client Relationships and Specific Engagements	To provide guidance on the establishment of appropriate acceptance and continuance policies and procedures
4	Human Resources	To provide guidance on the human resource components of effective quality control policies and procedures
5	Engagement Performance	To provide guidance on the elements involved in engagement performance, highlighting the role of the engagement partner, planning, supervision and review, consultation, resolution of differences of opinion, and performance of engagement quality control review
6	Monitoring	To provide guidance on the monitoring of the firm's policies and procedures relating to the system of quality control, including the firm's monitoring program, inspection procedures, the monitor's report, addressing and removing deficiencies, and responding to complaints and allegations

Source: the International Federation of Accountants (IFAC), **Guide to Quality**

Control for Small and Medium-Sized Practices, third edition, New York, USA, 2011. (IFAC, 2011, p. 7)

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 the firm 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. (Ismail, Mohd-Sanusi, & Mat Isa, 2008, p. 7).

2-2 Prior Researches:

Quality control acquires the interests of organizations (IFAC, IAASB, AICPA, etc.), researchers, academics, and other interested people these days.

Therefore, the researchers find that QCS deserves more importance and attention from them. (Ramadhani, Sudarma, & Achsin, 2017) This study aims to test the effect of every quality control system (QCS) element, that is, leadership responsibilities for quality on audit, relevant ethical requirements, acceptance and continuance of client relationships and certain engagements, assignment of engagement team, engagement performance, monitoring, and documentation on audit quality, as well as to test whether the professional commitment moderates the effect of every element of QCS on audit quality.

The results of this study indicate that of the seven elements of QCS, only relevant ethical Requirements that affect audit quality. Furthermore, the study also found that professional Commitment cannot moderate the relationship between the seven elements of QCS on Audit Quality.

(Shahibah , Bambang, & Barid, 2020) In the same vein as the previous study of (Ramadhani, 2017) ,the objective of this research is to assess the effect of quality control system elements, i.e., relevant ethical terms and independency, on audit quality and to identify the moderating role of professional skepticism on the effect of the quality control system on audit quality. This study's population consisted of auditors from Indonesia's Big Ten public accounting firms, of which 252 were chosen as the sample.

This study finds that relevant ethical terms and independence affect audit quality, and that professional skepticism moderates the effect of independence on audit quality, but it does not moderate the effect of relevant ethical terms on audit quality.

(Verovska, 2013) This article examines the concept of quality audit service, analyzes the main problems of legislative and methodological character in the area of external and internal audit control in Latvia, and considers opportunities and ways of improvement based on international experience.

The research results can be applied to the construction and development of the systems of external and internal audit control, which will provide the most reliable information about the state of business of companies' customers, their performance and prospects for sustainable development. The system of audit quality control depends on many factors, including the degree of development of the national legislation, the techniques, and the ability to learn and effectively apply the unified international audit regulating rules and standards.

In the same way as in the previous study (Verovska, 2013) the study (Sabauri , 2019) reflects on the best practices of the leading countries, in that the assumptions and recommendations for the financial accounting, reporting, and audit reforms in Georgia are made based on this comparative analysis. Therefore, an efficient audit quality control system is a substantial challenge that many countries face worldwide, especially those states where these systems are being formed within the respective reform program.

(Khorunzhak, Belova, Zavytii, Tomchuk, & Fabiianska, 2020) The authors conducted a study of the current audit quality control system in Ukraine to develop proposals according to the main areas of its development and improvement based on the positive foreign experience and criteria determined by users of audit services. The information base of the empirical study was the data from the reports of the Audit Chamber of Ukraine on the activities of audit companies and their statistical indicators.

The conducted research shows that in Ukraine there is an objective need and favorable conditions for the development of not only the system of quality control of audits and audit activities, but also good preconditions for improvement of the quality of audit services. The Ukrainian quality assurance system is under development. There are many approved legal acts. A network of institutions has been developed that has relevant powers in these matters. Methodological and instructional materials have been developed that allow effective control.

Moving from the European experience to the Malaysian one, first we focus on the study of (Mohd-Sanusi, Hazlin Ismail, Mat Isa , & Tapsir, 2008) this paper provides insights on the development of the International Standards on Quality Control 1 (ISQC 1) self-assessment checklist for small and medium audit firms in Malaysia. The checklist was developed based on ISQC1 requirements, the ISQC1 manual, and MIA By-Laws. This checklist is also in-line with ISQC 1 questionnaires prepared by other countries, such as Australia and Pakistan. It is hoped that this audit quality system would assist small and medium audit firms in improving

and enhancing their audit service quality with the aspiration of being at par with the larger audit firms by Using a focus group interview method, it is hoped that the feedback from the practitioners in small and medium audit firms may contribute to the understanding of audit quality.

This study, however, showed a direct proxy measure for audit quality. This self-assessment 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 the ISQC 1. The score assessment could enable firms to pinpoint areas for improvement. (In July 2006, the Malaysian Institute of Accountants (MIA) adopted the ISQC 1 as part of the approved standard of auditing in Malaysia.

The study of (MOHD SANUSI, HAZLIN ISMAIL, MAT ISA, MASTUKI, & KASSIM , 2009) was developed along the same lines. A checklist based on ISQC 1 requirements, the ISQC 1 manual, and MIA By-Laws is intended to guide audit firms in complying with ISQC 1. 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 resources, 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 practitioners on the implementation of ISQC1 in their firms.

Results showed that most of them lack exposure to and knowledge of the ISQC 1 requirements. Therefore, due to this matter, most practitioners have pessimistic perceptions regarding the implementation of ISQC 1. Various pieces of constructive feedback from audit practitioners were incorporated into 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 called "A QuR System "is hoped to be emulated as a self-review portal that would assist audit firms in improving and enhancing their governance of audit service quality.

After analyzing the prior studies, our study focuses on the awareness of auditors of the policies and procedures of the system of quality control in accordance with the ISQC1, and whether they provide auditing services without taking these policies and procedures into consideration.

3- Research Methodology

The population of the study includes auditing firms in the east of Algeria, while the sample consists of only 10 firms (4 auditing firms in Skikda, 2 auditing firms in Annaba, 2 auditing firms in Constantine, and 2 auditing firms in Guelma). Data required for the accomplishment of the study had been gathered from different primary and secondary sources, including manuals of quality control and international guidelines, textbooks, journals, thesis and reports, the internet, and so on. Regarding the required primary data, it was collected through the use of a questionnaire as the study tool. This questionnaire has been directed and self-administered for external auditors.

A focus group interview has been conducted to gain the perceptions of the practitioners from small audit firms on the implementation of the requirements of ISQC 1 in their firms. A questionnaire (checklist of self-assessment) consisting of two sections has been developed based on the literature review and prior research.

The first section encompasses five items to collect the demographic data of respondents. Specifically, the demographic data section includes age, year of experience, education level, firm type, and the number of personnel in the firm. The second section of the questionnaire consists of 20 items to collect data from respondents.

The study questionnaire had been developed in English and translated back to Arabic to be understandable for all respondents, where the translation process occurred by a group of English-specialized academics in universities and with the help of specialized academics in accounting because they have good knowledge of accounting and auditing terminology.

Comments and recommendations from the experts had been taken into consideration, so it was adjusted to reflect the comments of this group of academics and auditors.

4- Results and Analysis

4- 1 Sample Description

We mentioned that external auditors are the respondents to the study questionnaire, and a sample of 10 of them responded to it. Based on the consideration of received questionnaires, With regard to respondents' age, table (2) shows that six of the respondents are in the age range of 46 to 55 years. The table shows only one respondent in the age range of 35 to 45, and only 3 of the respondents are older than 55. This information means that more credible and transparent answers were provided by respondents because of their appropriate age.

Table 2: Distribution of Respondents' Age

Age Range	No. of respondents	Percentage %
35- 45	1	10%
46-55	6	60%
56 years or more	3	30%
Total	10	100%

Source: Prepared by the authors based on the results of self-assessment checklist

Regarding the demographic variable of years of experience, table (3) reveals enough information regarding respondents' distribution. The table shows that the range of 15-19 includes the greater number of respondents (5), where 20% of respondents have 10–14 years of experience. In addition, one respondent has 5–9 years of experience, one respondent has 20 years or more and one respondent has less than 5 years. Therefore, year experience is considered high, which provides more credibility to the study too, because as the year experience increases, so does the credibility of the respondents.

Table 3: Distribution of Respondents' year-Experience

Range of year Experience	No. of respondents	Percentage %
Less than 5 year	1	10%
5 - 9	1	10%
10 - 14	2	20%
15 - 19	5	50%
20 years or more	1	10%
Total	10	100%

Source: Prepared by the authors based on the results of self-assessment checklist

Table 4 shows the distribution of respondents' levels of education. The table shows that around 80 % of respondents have a bachelor's degree, while only 2 have a master's degree, and no one has a PhD. It is apparent that all the respondents have a bachelor or higher degree,

which reflects that Algerian auditors are highly educated, and the audit profession is intellectual in its nature, so it needs highly educated people.

Table 4: Distribution of Respondents' year-Experience

Education Level	No. of respondents	Percentage %
Bachelor	8	80%
Master	2	20%
PHD	0	0%
Total	10	100%

Source: Prepared by the authors based on the results of self-assessment checklist

Table 5 shows the distribution of the firm types. The table shows that all of the respondents are sole practitioner firms while no one of them has an auditing society because there are only 25 moral people (an auditing society) in Algeria, according to Decision No. 165 of April 14, 2021, specifying the lists of professionals registered in the tables of the National Classification of Accountants, the National Chamber of External Auditors, and the National Organization of Certified Accountants. (CNC, 2021)

Table5: Distribution of the firm type

Firm type	No. of respondents	Percentage %
A sole practitioner firm	10	100%
An auditing society	0	0%
Total	10	100%

Source: Prepared by the authors based on the results of self-assessment checklist

Table (6) shows the distribution of personnel of the firm or human resources according to ISQC1. The table shows that all of the respondents (80%) have less than 3 employers, and 10% of respondents have between 4 and 6 employers in their firm, and just one of the respondents has more than 6 employers (a big audit firm in Skikda).

Table 6: Distribution of personnel of the firm

personnel of the firm	No. of respondents	Percentage %
Less than 3	8	80%
4-6	1	10%
7-9	1	10%
Total	10	100%

Source: Prepared by the authors based on the results of self-assessment checklist

4- 2 Hypotheses Testing

The First Hypothesis

- Audit firms rely on the policies and procedures of their leadership responsibilities for quality within the firm.

Table 7: Leadership responsibilities for quality within the firm

Axe N 1	Items	Oui		Non	
		No. of respondents	Percentage %	No. of respondents	Percentage %
1	The firm adopts policies and procedures to promote an internal culture that recognizes quality as an essential element to accomplishing the audit mission	10	100	0	0
2	The auditor has ultimate responsibility for the quality control system in the firm	1	10	9	90
3	Persons who have operational responsibility for the firm's quality control system have sufficient experience to assume this responsibility	6	60	4	40

Source: Prepared by the authors based on the results of self-assessment checklist

Table (7) shows that although 100% of audit firms aim to provide high-quality services as possible and try to promote an internal culture that recognizes quality as an essential element for the completion of the audit mission, most audit firms under study, with a large percentage estimated at 90%, do not have ultimate responsibility for the quality control system in the firm. Because audit operations depend on routine procedures applied by these firms in order to accomplish their missions, he only directs his personnel to perform their missions. In addition, 60% of audit firms have people who have sufficient experience to assume this responsibility for the firm's quality control system.

The second Hypothesis

- Audit firms rely on the policies and procedures of relevant ethical requirements.

Table 8: Relevant ethical requirements

Axe N 1	Items	Oui		Non	
		No. of respondents	Percentage %	No. of respondents	Percentage %
1	The firm's adoption of policies and procedures designed to provide it with reasonable assurance that the firm and its employees comply with relevant ethical requirements	10	100	0	0
2	The firm has put in place appropriate organizational and administrative arrangements to deal with the recording of incidents that may have serious consequences for the integrity of the firm	1	10	9	90
3	The firm and its employees shall maintain their	10	100	0	0

	independence				
4	Take appropriate action in case of breach of independence requirements	0	0	10	100

Source: Prepared by the authors based on the results of self-assessment checklist

Table 8 shows that audit firms depend on employees who comply with the relevant ethical requirements because they are subject to the Code of Ethics and maintain their independence, as all audit firms under study confirmed this, and most of these firms, 90%, do not make appropriate organizational and administrative arrangements to deal with the registration of accidents that may have serious consequences for the integrity of the firm, because there is always a control by the external auditor and employees of the firm, and also for the existence of insurance on the other hand. As for the measures taken in case of violation of the independence requirements, none of them put procedures in this case. The employees comply with the work contract between them and the firm.

The third Hypothesis

- Audit firms rely on the policies and procedures of Acceptance and continuance of client relationships and certain engagements.

Table 9: Acceptance and continuance of client relationships and certain engagements

Axe N 1	Items	Oui		Non	
		No. of respondents	Percentage %	No. of respondents	Percentage %
1	Do not accept or maintain customer relationships and contracts unless the following conditions are met:				
	a-the firm must be qualified to perform the mission and have the capabilities, including time and resources;	10	100	0	0
	b-may comply with relevant ethical rules;	10	100	0	0
1	c-the firm took into account the safety of the client, and was not aware of the information that would lead to the conclusion that the client lacked integrity	10	100	0	0
2	Establishing a Policies and procedures if a potential conflict of interest is identified in accepting an engagement From a new or existing client, the firm will determine whether it is appropriate to accept the engagement	7	70	3	30
3	If problems are identified and the firm decides to accept or	1	10	9	90

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	maintain a particular assignment for a client, it documents how the problems are resolved				
4	The possibility of withdrawal if there is a danger that threatens the office or if the client does not comply with the contract	10	100	0	0

Source: Prepared by the authors based on the results of self-assessment checklist

Table 9 shows that all audit firms under study must meet the conditions mentioned, as if the firm is qualified to carry out the mission, has sufficient capabilities, time and resources to accomplish the mission, and complies with ethical requirements, including confidentiality and independence. As for the policies and procedures taken when accepting a new client or accepting a new assignment for an existing client, the offices remain free to choose those and the fees gained. In addition, 90% of the firms do not document how to solve the problems, and all the audit firms under study confirmed the possibility of withdrawal if there is a danger threatening the firm or when the client does not adhere to the contract; otherwise, the firms cannot resign if they have a judicial expert because the law provides for this.

The fourth Hypothesis

- Audit firms rely on the policies and procedures of Human Resources

Table 10: Human Resources

Axe N 1	Items	Oui		Non	
		No. of respondents	Percentage %	No. of respondents	Percentage %
1	The firm must establish policies and procedures to provide reasonable assurance that it has enough personnel with the necessary competence, capabilities, and commitment to ethical principles	10	100	0	0
2	When appointing a responsible partner for each mission: a-Disclose the name and role of the person responsible for the mission in charge of the assignment; b-the responsible partner of the mission has the appropriate skills, capabilities, and authority to undertake this role; c-The responsibilities of the responsible partner of the mission are clearly defined and communicated to him	3	30	7	70
		10	100	0	0
		10	100	0	0

Source: Prepared by the authors based on the results of self-assessment checklist

Table 10 shows that all audit firms under study have sufficient employees with the skills, capabilities, competencies, and commitment to the required ethical principles, whether in relation to the mission to be performed in accordance with professional standards and requirements of applicable laws and regulations, or enabling them to issue appropriate reports, as for disclosing the name and role of the responsible partner of the mission. They vary the auditors' answers: 30% of the offices reveal the name and role of the official, while 70% do not reveal him, and this depends on the difference in the processes of any operation. Concerning the responsibilities of the person in charge, all of the firms agreed that they are specific and detailed.

The fifth Hypothesis

- Audit firms rely on the policies and procedures of Engagement performance

Table 11: Engagement performance

Axe N	Items	Oui		Non	
		No. of respondents	Percentage %	No. of respondents	Percentage %
1	The firm's review responsibility policies and procedures shall be determined on the basis that the work of less experienced team members is reviewed by more experienced members of the engagement team	9	90	1	10
2	Appropriate consultation takes place on difficult or contentious matters	4	40	6	60
3	The firm shall establish policies and procedures designed to maintain the confidentiality, safe custody, integrity, accessibility, and retrievability of engagement documentation	10	100	0	0
4	The firm shall establish policies and procedures for the retention of engagement documentation for a period sufficient to meet the needs of the firm or as required by law or regulation	10	100	0	0

Source: Prepared by the authors based on the results of self-assessment checklist

Table 11 shows that most of the audit firms confirmed that the audit mission is carried out in accordance with professional standards and the requirements of applicable laws, and 90% of them also confirmed that the work of the less experienced members of the team is reviewed by more experienced members, as the person responsible for the mission must, in turn, control the members of the audit team. When the mission is accomplished, as for the firms setting policies and procedures for conducting appropriate consultations on complex or inabituel

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issues, 40% of the audit firms that conduct consultations prepare a set of steps and also all consultations are recorded and documented in the mission statement, but there are some firms that believe that consultations eliminate independence and are not appropriate. Regarding the documentation and safeguarding all the documents of the mission, all respondents agree that the firm should establish policies and procedures designed to maintain the confidentiality, safe custody, integrity, accessibility, and retrievability of engagement documentation. In addition, all of them agree that the firm shall establish policies and procedures for the retention of engagement documentation for a period sufficient to meet the needs of the firm or as required by law or regulation in accordance with international standards and law 10/01, commercial law, and IAA 230 (documents of the mission).

The sixth Hypothesis

- Audit firms rely on the policies and procedures of Monitoring.

Table 12: Monitoring

Axe N	Items	Oui		Non	
		No. of respondents	Percentage %	No. of respondents	Percentage %
1	Require responsibility for the monitoring process to be assigned to a partner or partners with sufficient and appropriate experience and authority in the firm to assume that responsibility	9	90	1	10
2	Require that those performing the engagement or the engagement quality control review not be involved in inspecting the engagement	8	80	2	20
3	The firm evaluates the impact of identified deficiencies in the control process that require immediate corrective action	2	20	8	80

Source: Prepared by the authors based on the results of self-assessment checklist

Table 12 shows Most of the audit firms under study carry out double monitoring, including internal control and coordination, and after each mission, the evaluation process is carried out and a file is created for each client. 90% of the firms confirmed that the monitoring and evaluation process is carried out by employees who have sufficient experience and authority within the firm. It was also confirmed by over 80% of the firms that persons who performed a mission or reviewed the quality control did not participate in the inspection of that mission, because the monitoring was not done by the same person who performed the mission and the monitoring was done according to the firm’s needs. In addition, just 20% of firms evaluate the impact of specific deficiencies in the control process that require immediate corrective action, and the role of the external auditor is to take appropriate corrective action.

5- Conclusion and findings

This study aims to identify the extent to which audit firms under this study adopted the policies and procedures of the quality control system to improve the operations of their firms. The policies and procedures of the quality control system were determined in accordance with the international standard for quality control 1, represented by: leadership responsibilities for quality within the firm (LRA), relevant ethical requirements (RE), acceptance and continuance of client relationships and certain engagements (ACR), human resources (HR), engagement performance (EP), and monitoring (M).

From the results of the interview with 10 audit firms, we accept the hypothesis of our study that audit firms rely on the policies and procedures of the quality control system according to the international standard on quality control 1.

Our study shows that audit firms adopt some policies and procedures of the quality control system (SQC) in their operations in accordance with the requirements of the international standard for quality control 1.

This self-assessment indicates the awareness of auditors of the necessity and importance of applying the requirements of the quality control system to achieve quality professional performance for audit firms. Audit firms depend on employees who comply with the relevant ethical requirements, i.e., integrity, confidentiality, independence, etc. in accordance with ISQC1 and the international standards and code of ethics of IESBA.

The study showed that audit firms pay attention to accepting new clients and continuing with the old ones, as they attach great importance to selecting and evaluating the client before accepting the assignment and ensure quality services for them and the possibility of withdrawal if there is a danger threatening the firm or when the client does not adhere to the contract. This is due to the necessary professional commitment of the auditor when carrying out his missions. Regarding the documentation and safeguarding all the documents of the mission, all respondents confirmed that the firm should establish policies and procedures designed to maintain the confidentiality, safe custody, integrity, accessibility, and retrievability of engagement documentation.

All the respondents agree that the firm shall establish policies and procedures for the retention of engagement documentation for a period sufficient to meet the needs of the firm or as required by law or regulation in accordance with international standard and law 10/01 and the commercial law and IAA 230 (documents of the mission) in accordance with ISQC1.

Moreover, regarding monitoring, audit firms confirmed that only the external auditor or the responsible partner of the firm has the authority and responsibility to take appropriate corrective actions.

In addition, all the respondents confirmed that employees who have sufficient experience and authority within the firm do the monitoring and evaluation process.

The results show that people who performed a mission or reviewed the quality control do not participate in the inspection of that mission because the monitoring is not done by the same person who performed the mission and the monitoring is done according to the firm's needs.

5- 1 Recommendations

- The necessity of adopting the international standard for quality control, which includes the quality control system, to improve the performance of the Algerian audit firms;

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- Adopting a code of ethics (a manual) in audit firms to support the work of the audit team and maintain the independence of the employees and meet the requirements of ethical and professional conduct;
- For the organization of accounting and auditing in Algeria, it is necessary to organize formations and conferences, especially in the fields of quality control systems, standards and methods within the framework of the international standards concerning audit quality and ways to develop the performance of audit firms;
- In order to achieve efficiency and effectiveness in audit firm operations, audit firms must establish policies and procedures for recruitment, evaluation, promotion, and compensation.
- preparing a project for an electronic quality control system in the form of an electronic portal that allows auditors to personally assess the performance level of their firms and to know the most important difficulties facing the application of the system at a national level and under the supervision of specialized professional organizations, as an initial project until the actual implementation of the quality control system in audit firms;
- Classifying the Algerian auditing firms according to the quality of the services provided in order to achieve a competitive advantage among the firms.

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