

УДК 657.6

DOI: 10.31732/2663-2209-2025-77-220-227

MANAGEMENT OF THE AUDIT SERVICES QUALITY CONTROL SYSTEM IN UKRAINE

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УПРАВЛІННЯ СИСТЕМОЮ КОНТРОЛЮ ЗА ЯКІСТЮ АУДИТОРСЬКИХ ПОСЛУГ В УКРАЇНІ

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Abstract. The article is devoted to the study of the influence of external control on increasing the efficiency of management of the quality control system of audit services in Ukraine. The main aspects of the regulatory and legal support of audit activities are considered and the levels of quality control of audit services in Ukraine are shown. The positive aspects of the changes that introduced the compliance of the regulation of Ukrainian audit activities with European approaches are noted. The levels of quality control of audit services in Ukraine are determined with their grouping into external and internal control, and the visualization of the specified levels of quality control is made. Since the beginning of the existence of domestic audit, the external control structure has been the Audit Chamber of Ukraine, which carried out the certification of auditors and controlled the quality of their services. In addition, according to the legislation, professional organizations of auditors of Ukraine could carry out quality control of audit services of audit entities. However, taking into account European requirements and in order to improve the quality of audit services and ensure on this basis trust in financial reporting from all categories of users, starting from regulators and ending with the public, the structure of external control over the implementation of audit activities has been expanded. Today, the Public Oversight Authority for Auditing Activities operates alongside the Audit Chamber of Ukraine, represented by the Audit Oversight Council and the Quality Assurance Inspectorate, which meets current requirements. Audit firms and individual auditors should implement internal assessment of the quality system of audit services.

The distribution of significant deficiencies by individual components of the quality management system and the frequency of identification in the SAD, identified by the results of external control, is shown. The effectiveness of monitoring the internal quality control system of the SAD for the presence of those deficiencies that were typical during the external audit is noted. The greatest attention is paid to the deficiencies of the quality management system in the components "Task Execution" and "Monitoring and Correction". The SAD needs to raise the level of efficiency of management of the internal quality control system for audit services by eliminating typical violations identified by external audits and ensuring a constant increase in the level of professional competence of auditors.

Keywords: audit, audit services, audit entities, quality of audit services, management, control system, external control, internal control.

Formulas: 0; **Fig.:** 3; **Table:** 3; **Bibliography:** 14

Анотація. Стаття присвячена дослідженню впливу зовнішнього контролю на підвищення ефективності управління системою контролю якості аудиторських послуг в Україні. Розглянуто основні аспекти нормативно-правового забезпечення аудиторської діяльності та показано рівні контролю якості аудиторських послуг в Україні. Зазначено позитивність змін, які впровадили відповідність регламентації української аудиторської діяльності до європейських підходів. Визначено рівні контролю якості аудиторських послуг в Україні з їх угрупуванням на зовнішній та внутрішній контроль, зроблено візуалізацію зазначених рівнів контролю якості. З початку існування вітчизняного аудиту структурою зовнішнього контролю була

Аудиторська палата України, яка здійснювала атестацію аудиторів та контролювала якість їх послуг. Крім того, згідно законодавства, проводити контроль якості аудиторських послуг суб'єктів аудиторської діяльності могли професійні організації аудиторів України. Але, враховуючи європейські вимоги та з метою підвищення якості аудиторських послуг і забезпечення на цій основі довіри до фінансової звітності з боку усіх категорій користувачів, починаючи від регуляторів й закінчуючи громадськістю структуру зовнішнього контролю за здійсненням аудиторської діяльності було розширено. На сьогоднішній день поряд з Аудиторською палатою України функціонує Орган суспільного нагляду за аудиторською діяльністю, який представлено Радою нагляду за аудиторською діяльністю та Інспекцією із забезпечення якості, що відповідає вимогам сьогодення. Здійснення внутрішньої оцінки системи якості аудиторських послуг мають реалізовувати аудиторські фірми та аудитори ФОП.

Показано розподіл значущих недоліків за окремими компонентами системи управління якістю та частота ідентифікації в САД, виявлених за результатами зовнішнього контролю. Зазначено ефективність моніторингу внутрішньої системи контролю якості аудиторських послуг САД на наявність тих недоліків, які виявилися типовими при здійсненні зовнішнього аудиту. Найбільшу увагу становлять недоліки системи управління якістю за компонентами «Виконання завдання» й «Моніторинг та виправлення». САД потрібно підняти рівень ефективності управління системою внутрішнього контролю за якістю аудиторських послуг нівелюючи типові порушення, виявлені зовнішніми перевітками та забезпечуючи постійне підвищення рівня професійної компетентності аудиторів.

Ключові слова: аудит, аудиторські послуги, суб'єкти аудиторської діяльності, якість аудиторських послуг, управління, система контролю, зовнішній контроль, внутрішній контроль.

Формули: 0; рис.: 3; табл.: 3, бібл.: 14

Problem statement. Modern economic conditions, characterized by a significant number and complexity of the processes of functioning of business entities, require improving the quality of audit services through effective management of the control system which, using world experience, would be aimed at satisfying the completeness of compliance by all audit entities with audit standards and norms of professional ethics of auditors. Internal control cannot be considered fully effective from the point of view of the lack of a certain objectivity. Therefore, effective improvement of the quality of audit services is possible only by working out the shortcomings identified by external control.

Subject of study: management the system of quality control of audit services in Ukraine through the prism of eliminating shortcomings based on the results of external control.

Analysis of recent research and publications. The system of quality control of audit services is an important element of ensuring transparency, reliability and compliance of domestic audit with international standards. The relevance and modernity of issues of quality control of audit services is confirmed by a significant number of scientific works on this issue in recent years. Thus, the following scientists have been engaged in research on the problems of quality control of audit services: O. A. Petryk, N. V.

Goylo, I. I. Matienko-Zubenko, I. O. Marynych, Yu. B. Slobodanyk (2021) considered the issue of transforming the audit and control system in the context of sustainable development. S. M. Goncharuk (2021) justifies the need to create a system of public oversight of the audit profession as a crucial element in supporting and strengthening trust in the activities of auditors by the public, especially for public interest entities, in accordance with EU Directives. Yu. M. Krot and N. M. Brazil (2019) conducted an analysis of Ukrainian legislative regulation of audit quality assurance and its compliance with European legislation. This made it possible to identify differences, the settlement of which will stimulate the improvement of the quality of audit services. O.E. Lubenchenko (2022) examines the formation of a quality management system from the point of view of a comprehensive risk-based approach to organizing and conducting audits, noting that responsibility for quality in an audit firm should be controlled at two levels: at the highest level - the management level and at the operational level. Ways of assessing ethical threats and determining measures to respond to identified threats are proposed. G. Nazarova and L. Kononenko (2023) considered the changes that were made to ISRE 4400 “Engagement to Perform Agreed-upon Procedures”, paying special attention to the quality control and documentation system. V.Yu. Fabianska

(2017) notes that the quality control system of an audit firm consists of interrelated elements defined by International Standards on Auditing and includes: management responsibility for organizing quality control, ethical requirements, accepting the assignment and continuing cooperation with the client and performing specific tasks, human resources, performing the assignment, monitoring. O.V. Tsarenko (2022) considers the quality management system of audit services in Ukraine through the prism of a subject-oriented model, which provides greater confidence and trust in the economy and the functioning of markets by responding to changes in the environment and improving the reliability and effectiveness of quality management standards. V. Khrypyuk and V. Kovaleva (2022) examine individual aspects of the external and internal quality control system and propose improvements to the tools for improving the quality of audit services in accordance with the results of the analysis of the main problems.

Formulation of the purpose and methods of the study - to investigate the state of quality control of audit services in Ukraine in order to improve the management of the quality system by working out significant shortcomings identified by the results of external control. To achieve the specified goal and solve the tasks set, a wide range of generally accepted methods of scientific research was used, namely: a systematic approach, methods of scientific abstraction and logical generalization - to study approaches to quality control of audit activities; methods of comparison, abstraction, analysis and synthesis - to analyze shortcomings in the activities of audit entities.

Presentation of the main research material. There is no doubt that the effective management of the quality control system of audit entities (SAA) is essential for ensuring high audit standards, trust from clients, domestic and foreign stakeholders, regulators, the country's economy, as well as the sustainability of the Garden [7, p. 89; 12, p. 137; 14, p. 6].

In Ukraine, since 2019, the regulation of auditing activities has been carried out in

accordance with the Law of Ukraine "On the Audit of Financial Statements and Auditing Activities" [2], which introduced a European model of public oversight of auditing activities in accordance with the requirements of Directive 2006/43/EC of the European Parliament and of the Council of 17 May 2006 "On statutory audits of annual accounts and consolidated accounts" [4] and Regulation of the European Parliament and of the Council of 16 April 2014 No. 537/2014 "On specific requirements for statutory audits of public-interest entities" [5]. Section VII of the Law is devoted to ensuring the quality of audit services. Clause 2 of Article 40 of the Law [2] states that the internal quality control system for audit services should consist of policies and procedures developed and implemented by audit entities in accordance with international auditing standards. Accordingly, this control must be of a permanent continuous nature. According to clause 4 of article 40 of the Law [2], quality control checks of audit services are carried out by the Quality Assurance Inspectorate on a mandatory basis for audit entities (SAA) that provide services for the statutory audit of financial statements of public interest entities (large enterprises, banks, professional stock market participants and issuers whose securities are admitted to trading on stock exchanges or for whose securities a public offer has been made) - once every three years [2]. Quality control of SAA activities that provide services for the statutory audit of financial statements (except for SAA that have the right to conduct a statutory audit of financial statements of public interest entities) no less than once every six years should be conducted by the Audit Chamber of Ukraine [2]. SAA that do not provide services for the statutory audit of financial statements of enterprises are audited by the Audit Chamber of Ukraine and may be audited on their own initiative. In addition, the Law stipulates that professional auditors have the right to independently assess the quality management system of audit entities.

So, in practice, in Ukraine, quality control of audit services is carried out at two levels (Fig. 1): external - at the level of the Public Oversight Body for Auditing Activities,

the Audit Chamber of Ukraine and professional organization and auditors and

internally - at the level of the audit firm and auditors of individual entrepreneurs.



Fig. 1. Levels of quality control of audit services in Ukraine . Source: compiled by the authors based on data from [2; 11, p.25; 13, p. 6] .

Quality control of audit services of the SAD involves testing internal procedures, reviewing working papers, audit reports and other reports, contracts for the provision of audit services, internal administrative acts of the SAD, which determine the policies and procedures to be applied when providing audit services, regarding:

compliance with applicable ISAs, independence requirements and other requirements of the Law, including ensuring the reliability of information submitted for inclusion in the Register;

the quantity and quality of resources used, including compliance with requirements for continuing professional education of auditors;

compliance with requirements regarding remuneration for audit services, if any;

effectiveness of the internal quality control system of the SAD;

the reliability of the information in the transparency report, if its publication is provided for by the Law, regarding the assessment of the effectiveness of the internal quality control system of the SAD [3, p.227; 6, p.10; 9].

We believe that the specified levels of quality control of audit services should interact to achieve optimal results. To confirm this hypothesis, we will consider the significant shortcomings identified as a result of inspections by the Audit Services Quality Control Committee of the APU and the Quality Assurance Inspection of the OSNAD in individual components of the SAD quality management system. So, the results of inspections of the SAD quality management system conducted by the Audit Services Quality Control Committee of the APU are given in Table. 1.

Table 1

Distribution of significant deficiencies by individual components of the quality management system of the SAD according to their specific weight

Components	2022	2023	2024
Compliance with general requirements	2%	1.8%	7.7%
Management and leadership	19%	7.2%	16.9%
Accepting the task	9%	9%	3%
Resource	2%	1.8%	7.7%
Task execution	38%	41%	33.9%
Monitoring and correction	30%	39.2%	30.8%

Source: compiled by the authors based on data from [1] .

For greater clarity of the obtained results, data visualization is provided in Fig. 2.

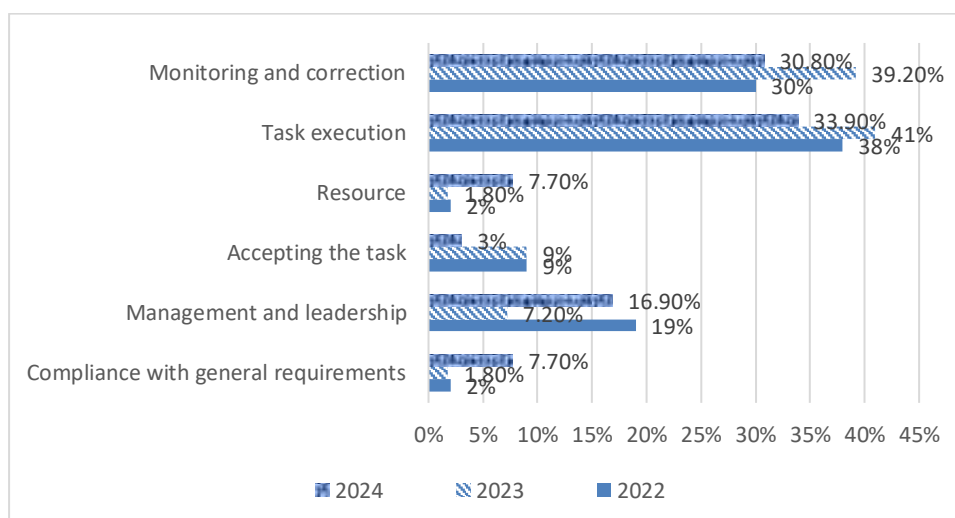


Fig. 2. Main shortcomings in individual components of the quality management system of the SAD, identified by the APU. Source: compiled by the authors based on data from [1].

As can be seen from Fig. 2, in 2024, deficiencies in the components “Management and Leadership” and “Compliance with General Requirements” increased. Of course, this shows a negative trend and the SAD should pay attention to this. However, it should be noted that the specific weight of these components is not significant. The greatest attention should be paid to the components of the quality management system, in which deficiencies were encountered most often. These are the components “Task Execution” and “Monitoring and Correction”. Moreover, the generalization of the results of quality

control inspections of audit services by the Audit Services Quality Control Committee of the APU over the past few years indicates that the admission of deficiencies and violations in the functioning of certain components of the quality management system of audit firms is repeated. Deficiencies were found in all audited SADs for the components “Task Execution” and “Monitoring and Correction” (Table 2). This has a negative impact on the quality of audit results; audit documentation compiled by the SAD; the reliability of the financial statements and the reasonableness of the basis for reporting.

Table 2

Frequency of identification in the SAD of deficiencies in the internal quality control system (quality management system)

Components	2023	2024
Risk assessment process	6%	25%
Management and leadership	10%	40%
Accepting the task	29%	10%
Resource	6%	25%
Task execution	100%	100%
Monitoring and correction	100%	100%

Source: compiled by the authors based on data from [1] .

A significant part of the shortcomings in the functioning of the quality management system (internal quality control system) of the SAD regarding the "Performance of the assignment" component is associated with the ineffectiveness of the applicable methodology for auditing financial statements and the auditors' failure to comply with the requirements of objectivity and competence. This requires the management of audit firms and auditors of individual entrepreneurs to strengthen internal control measures over the quality management

system for the provision of audit services. In order to avoid shortcomings, SADs must strengthen the effectiveness of measures regarding the quality management system and carry out activities in accordance with International Standards on Auditing and the Law.

The results of inspections by the Quality Assurance Inspectorate of the State Audit Office of Ukraine on the quality control of audit services by components of identified significant deficiencies are shown in Fig. 3.

Table 3

Distribution of SAD by areas of identified significant deficiencies

Components	2022	2023
Quality control system	92%	94%
Certain requirements of the Law	85%	94%
Audit tasks	100%	89%

Source: compiled by the authors based on data from [10] .

For better perception of information, data visualization is presented in Fig. 3.

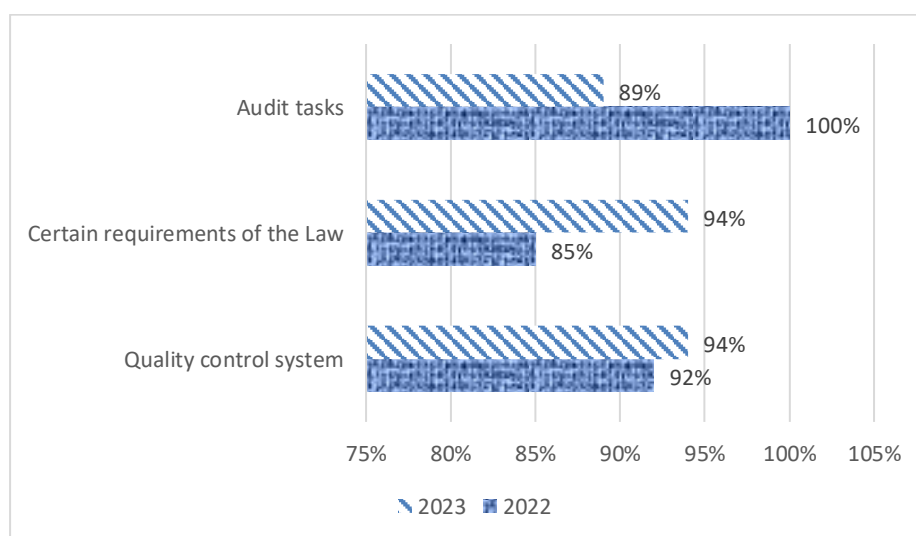


Fig. 3. Main shortcomings in individual components of the quality management system of the SAD, identified by OSNAD. Source: compiled by the authors based on data from [10].

As can be seen from Fig. 3, the deficiencies in the components "Audit Objectives" and "Specific Requirements of the Law" decreased in 2023 compared to 2022, but still remain at a fairly high level. At the same time, the level of significant deficiencies in the component "Quality Control System" increased from 92% to 94% during 2023. This also shows a negative trend and the need to improve the management of the quality control system for audit services by audit entities.

Conclusions: The study showed that External audits of the effectiveness of the audit quality control system enable the SAD to receive objective, unbiased information on which components management should pay attention to in order to form effective management measures to improve the internal audit quality control system.

We believe that to improve the efficiency of the management of the quality

control system for audit services in Ukraine, it is necessary to:

1. Optimize the interaction between external and internal control levels.

2. Strengthen the management of the internal control system over the quality of audit services by eliminating typical violations identified by external audits and ensuring compliance of audit activities with international standards and legislative requirements.

3. Continuously improve the methodology of financial statement audit.

4. To increase the level of professional competence of auditors on a regular basis.

The implementation of the proposed measures will significantly improve the management of the quality control system for audit services and strengthen trust in audit activities in Ukraine from domestic users and foreign stakeholders.

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