

Quality Assurance Review Among Independent CPAs: Basis for Improvement Plan

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Abstract—This study investigates the effectiveness of the Quality Assurance Review (QAR) among independent Certified Public Accountants (CPAs) in Laguna Province, Philippines, and its relationship with audit quality. The implementation of QAR is mandated under the Philippine Accountancy Act of 2004, yet micro and small CPA practitioners continue to face significant challenges. This research aimed to identify these barriers and assess how QAR impacts audit practices, to propose an improvement plan. Using a descriptive correlational research design, data were collected from CPAs through a questionnaire. The results revealed that QAR was perceived as generally effective. Audit quality was rated highly in terms of compliance with standards, client confidence, use of technology, and timeliness. A significant relationship was found between the effectiveness of QAR and audit quality. The study concludes that strengthening QAR implementation can significantly enhance audit practices among independent CPAs. It recommends an improvement plan focusing on communication, tailored training, accessible resources, and continuous professional development to uphold high standards of audit quality.

Index Terms— CPAs, QAR, Audit.

1. Introduction

The accounting profession is evolving rapidly in response to growing demands for transparency and accountability in financial reporting. Quality Assurance Reviews (QARs) play a crucial role in maintaining audit quality by ensuring compliance with established auditing standards. While countries like Australia and New Zealand have implemented successful QAR frameworks, CPAs in the Philippines face significant challenges in meeting QAR requirements. Despite the Philippine Accountancy Act of 2004 mandating QAR implementation and the recent requirement for a Quality Management System under international standards, many micro and small CPA firms struggle with compliance. This study aims to identify the specific obstacles these practitioners face and propose improvement strategies to enhance audit quality and support adherence to QAR standards, ultimately strengthening public trust in financial reporting.

2. Literature Review

The implementation of Quality Assurance Reviews (QAR) plays a critical role in enhancing audit quality and ensuring compliance with international auditing standards. Grounded in

Republic Act No. 9298, the Philippine QAR program aligns with global benchmarks set by the International Federation of Accountants (IFAC) and the International Auditing and Assurance Standards Board (IAASB). Literature indicates that QARs are intended to resolve persistent concerns such as audit inconsistencies, regulatory complexity, and market unfairness. However, implementation challenges persist, particularly for small and medium-sized firms, which often perceive QAR requirements as disproportionately burdensome (Pojol, 2023).

Multiple studies emphasize that effective communication is vital to QAR success. Clear guidelines and expectations foster trust, improve compliance, and reduce misunderstandings (Pinello et al., 2019; Quality Assurance Review Office, 2024). Conversely, legal ambiguity and inconsistent messaging have been identified as barriers to effective implementation. Similarly, adequate resources—including financial capacity, skilled personnel, and access to technology—are consistently cited as necessary for high-quality audits (Mustapha et al., 2020; Thottoli et al., 2022). Without such resources, especially in smaller firms, QAR compliance can become superficial and ineffective.

The frequency of QAR evaluations is another critical theme. While regular reviews are associated with improved accountability and stakeholder confidence (Polizzi et al., 2023), overly frequent assessments may overburden firms and detract from audit focus. Literature also supports the need for relevant and updated QAR criteria, especially localized standards that reflect sector-specific realities (Alwardat, 2019; Anas et al., 2024).

Feedback mechanisms are framed as tools for continuous professional development rather than mere compliance checks. Actionable, timely feedback is shown to improve audit practices and foster learning cultures (Makhlouf, 2024; Duh et al., 2019), though delays in implementation may erode audit quality. Moreover, the implementation of QAR recommendations is linked to improved audit outcomes, but concerns remain over follow-through, particularly in large firms and in cases where regulatory capture is suspected (Ahn et al., 2021; Hendricks et al., 2022).

The literature also delves into broader determinants of audit quality, defining it as a multidimensional construct involving technical expertise, ethical behavior, process rigor, and adherence to standards. Compliance with International

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Standards on Auditing (ISA) is foundational, as studies show it enhances accuracy and stakeholder trust (Pasaribu et al., 2023). Client confidence—influenced by transparency and auditor independence—is also shown to impact audit credibility, though fee dependency and client complexity pose potential risks (Akther & Xu, 2021; Hossain et al., 2023).

Technological advancements such as AI, data analytics, and blockchain are increasingly recognized as enablers of audit quality, improving accuracy and efficiency (Christ et al., 2021; EY, 2023). However, technology adoption must be paired with sufficient training and resources, or it risks widening the gap between large and small firms (Nisarga, 2024).

Finally, continuous professional development (CPD) and timeliness of audit reports are highlighted as crucial contributors to audit quality. CPD boosts auditor competence, ethical awareness, and self-efficacy (Clarabal & Sucuhai, 2023), while timely audit reports enhance transparency and decision-making utility (KPMG, 2024; Baatwah et al., 2019).

In summary, the literature presents a comprehensive view of the mechanisms and conditions that support effective QAR implementation and audit quality. While strong consensus supports QAR as a transformative tool, persistent barriers—particularly affecting smaller firms—must be addressed through balanced regulation, resource support, and capacity-building measures.

3. Methodology

The researcher will employ a researcher-made questionnaire as the primary data collection instrument. This structured survey tool is specifically designed to measure key variables aligned with the study's objectives.

The survey will utilize a 4-point Likert scale, as it effectively captures attitudinal responses without offering a neutral midpoint, thus encouraging more decisive feedback. This dual-scaling approach allows the instrument to evaluate both the perceived effectiveness of regulatory mechanisms and the actual state of audit practices across firms.

4. Results

The findings revealed that the majority of the respondents were individual CPAs (86.95%), with most firms servicing fewer than 51 clients (67.39%). Over half (52.17%) of the CPAs had between 5 to 10 years of experience in public accountancy. In terms of the effectiveness of the Quality Assurance Review (QAR), the overall assessment yielded a mean score of 2.59, interpreted as "Effective." Meanwhile, audit quality received a higher general assessment with a mean of 3.42, indicating a "Very High Quality."

5. Discussion

Statistical analysis showed a significant difference in the perceived effectiveness of QAR based on legal form ($p = 0.01$), but no significant differences were observed based on business size or years of practice. Similarly, there were no significant differences in audit quality across all demographic categories. A significant relationship was identified between QAR

effectiveness and audit quality, particularly with the implementation of QAR recommendations ($p \leq 0.01$), and with auditors' continuous professional development ($p \leq 0.02$) for most QAR indicators. Additionally, the timeliness of reports showed strong correlations with various QAR elements, especially overall impact. However, no significant relationships were found between communication or resource adequacy and client confidence or access to audit technologies.

6. Conclusion

The study reveals that most CPAs in Laguna Province operate as individual practitioners with small client bases and possess moderate experience in public accountancy. The Quality Assurance Review (QAR) is generally regarded as effective and aligned with auditing standards, although concerns remain about its perceived burden on smaller firms. Audit quality is rated very high overall, but the implementation of QAR recommendations in practice appears limited for some respondents. While demographic factors such as business size and years of practice do not significantly influence perceptions of QAR effectiveness or audit quality, legal form affects the perceived overall impact of QAR, with partnerships benefiting more than sole practitioners. The positive relationship between QAR effectiveness and audit quality underscores the importance of supportive measures like capacity-building and adaptable frameworks tailored to small-scale firms. Strengthening QAR implementation with such support is vital to sustaining and enhancing audit quality standards among CPAs in the Philippines.

Acknowledgement

The research acknowledges all the experts, validators, respondents, and institutions that contributed to the study.

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