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# Preventing Audit Quality Risks in Independent Audit: A Road Map in the Light of Theoretical Approaches

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## Abstract

An independent audit is a critical system for ensuring that a company's financial statements are accurate and reliable. However, the quality risks inherent in the detail of the audit make it difficult to deploy this function effectively. These risks, which are composed of variables such as accounting standards, auditing techniques, management strategies and technological developments, need to be controlled. The purpose of this study is to provide theoretical and practical ways to prevent quality risks in auditing and to establish an effective quality management system. In this study management structure, technological infrastructure, professional standards, external service providers and factors; have been examined the causes and solutions of these risks were examined using theoretical frameworks such as the systems approach, organization theory, source and emission theory.

The study continues to emphasize that the governance structure and the adoption of corporate governance policies are crucial to enhance supervision. It was stated that audits should ensure continuous compliance, perform a risk-focused practice, and establish a dynamic quality management system. The study concluded that audit credibility can be enhanced by working in harmony with technical and organizational elements. Effective management, adherence to ethical values, technological integration and compliance protection are the most prominent factors in sustainably maintaining the audit. Audit intervals should be supported through continuous training and technology compliance programs, and cooperation and information sharing in audit networks should be improved. This study provides a summary guide to improving the efficiency of audit funding and summarizing quality risks.

**Keywords:** Audit Quality, Quality Risks, Audit Quality Standards, Audit Quality Management System

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# 1. Introduction

The development of accounting as a field is linked to the development of common financial reporting standards, financial reporting and accounting documentation. The change in accounting standards and methods over time has ultimately led to the need for a single continuous type of financial reporting. Accounting standards such as Generally Accepted Accounting Principles (GAAP) and International Financial Reporting Standards (IFRS) were developed in the 20th century to establish financial reporting standards. An audit is a systematic study conducted in an unbiased manner in accordance with relevant legislation and GAAP. Auditing is to ensure that accounting complies with principles and rules. Auditing also detects and prevents errors and fraud, thus providing confidence to stakeholders and investors. Good audit quality depends on several processes and components.

According to DeAngelo (1981:186), audit quality is the identification and reporting of nonconformities in the accounting practices of the entity to be audited. Audit quality plays an important role in documenting the accuracy of an organization's financial information, ensuring its reliability, and detecting and preventing errors. Audit firms should have a quality management system and quality review procedures to ensure that audits are conducted in accordance with professional standards. Audit quality is influenced by many factors, including auditor independence, the auditor's experience and competence in the field, and the quality of audit documentation. Independent and competent auditors should work objectively, use technology in data collection and analysis, increase their knowledge and develop their competencies for continuous improvement, keep abreast of current standards and laws for innovation, consider feedback from colleagues and superiors on their audits, communicate appropriately with clients and management, and work with a skeptical and risk-oriented plan. The quality of an audit can only be demonstrated through reliable financial reports. To ensure this, companies should establish quality management systems in accordance with "Quality Management Standards". Quality management systems must be risk-oriented to achieve the intended quality in the services provided. Therefore, the quality management system in audit firms should be established in an integrated structure with the risk management system focusing on quality risks, and quality should be reviewed and evaluated throughout the process.

This study focuses on preventing quality risks in auditing and aims to provide a road map for improving audit quality in the light of theoretical approaches. The study aims to systematically address the factors affecting quality in audit processes, identify quality risks, and develop strategic solutions for these risks. The study emphasizes the methods proposed to improve audit quality, the need to adopt a risk-focused approach in establishing and implementing quality management systems and presents various theoretical frameworks and management strategies in this context. It also demonstrates the importance of addressing the

elements of audit quality (e.g., ethical principles, leadership, resource management, and technological integration) in a holistic approach.
As a result, the study aims to guide audit firms on how to minimize quality risks and sustainably improve audit quality by establishing a comprehensive quality management system.

## 2. Literature Review

### 2.1. Concept Of Quality

The concept of quality was first discussed in Greek society and defined as "excellence" by Socrates, Plato, Aristotle, and other philosophers (Reeves and Bednar, 1994: 420). Quality, which comes from the Latin word "qualis", means qualification or characteristic in the dictionary. Quality, which expresses the degree to which something meets or exceeds expectations, has been defined in various ways in literature due to its many dimensions and content. The definitions of quality made by researchers who are pioneers of quality are given in Table 1.

**Table 1. Quality Definitions**

| People | Definitions |
|---|---|
| Joseph M. Juran | Suitability for purpose and use. |
| Philip Crosby | Suitability with existing conditions. |
| W. Edwards Deming | Continuous fulfillment of the costomer's needs, both current and prospective. |
| Walter A. Shewhart | Quality is divided into two as objective quality and subjective quality. While objective quality is expressed as the quality of objective elements that act without being affected by the human factor; subjective quality is expressed as the characteristics that individuals see, feel, and think according to the result created by objective reality. |
| Armand V. Feigenbaum | These are the distinctive features that a product or service that is designed to meet customer satisfaction achieves after marketing, engineering, production, and maintenance phases. |
| Genichi Taguchi | It is the conformity of the specified designs to their specifications. |
| Kaoru Ishikawa | It is the comparison of the product performance offered by the manufacturing companies with the product performance expected by the customers. |

**Source:** Durukan and İkiz, 2007: 34

While quality enables consumers to determine their preferences, it is also a concept that creates strategies for businesses. Quality, which adds value to products, services, people and processes, is dynamic due to its structure (Goetsch and Davis,

2013:4). Quality, which is defined as compliance with functions or standards, is evaluated with an approach that prioritizes the needs and expectations of customers over time (Mutlu and Durmaz, 2021:1310).

### 2.2. Data Quality

Data quality is a concept related to the suitability of the data to the needs and the quality of the data to respond to the purpose of the data to be used (Güzel and Kurşunel, 2015:293). The purpose of data quality is to transform incoming raw information into accurate, reliable and consistent information (Dülge, 2009:101). Data is first collected from the necessary areas, then the collected data is classified according to their relevance, the data that are classified and transformed into meaningful information are summarized and transmitted to the right person who will use the information at the appropriate time and in the appropriate form (Karahan and Kastane, 2021:119).

According to the International Data Management Association-DAMA (2013:7), there are 6 dimensions of data quality. These dimensions are Completeness, which refers to the fact that all data are recorded completely; Uniqueness, which refers to the fact that the data are recorded only once; Timeliness, which refers to the fact that the data are fully available at the time they are needed; Validity, which refers to the appropriateness of the tool used in the measurement to accurately measure what is intended to be measured; Accuracy, which refers to the fact that the recorded data and the actual data are the same; and Consistency, which refers to the fact that the measurement tools and practices used in the measurement of a data are not different from the measurement tools and practices used in the measurement of previous and subsequent data (DAMA, 2013:8-13). Data having the characteristics of all of these dimensions constitutes data quality.

In our age of technological developments, the use of computers in the processing of information by entering the accounting system has gained a completely different dimension to data. Accounting information systems are systems that transmit the information obtained as a result of collecting, classifying, processing and, analyzing information to the relevant users (Wikinson and Cerullo, 1997: 26). In the accounting information system, data quality refers to the fact that the data is suitable for the needs and serves the purpose. The data provided by the accounting information system can be used by different users inside and outside the company. Auditors are one of them. As the quality of the data of the accounting information system increases, audit evidence becomes more reliable (Savcı and Balioğlu, 2021:59). Effective use of the accounting information system will provide the necessary evidence for the audit by providing the auditor with the number and quality of data that will enable the auditor to provide an opinion for the audited entity.

Due to the risks arising from information technologies, it is necessary to audit information technologies in terms of data quality. To obtain accurate data and

minimize risks, establishing control mechanisms in accordance with specific standards and auditing these mechanisms will enhance data and audit quality (Ertaş and Güven, 2008:51).

### 2.3. Audit Quality

The best audit is an audit in which the auditor complies with auditing standards and provides an accurate opinion on the financial statements of the client company at an appropriate level of audit risk (Akçay and Bilen, 2018:203). Data quality in the accounting information system is important for audit quality. However, a good audit only proves that the prepared financial statements comply with the standards but does not fully express the quality of the audit (DeFond and Zhang, 2014:281). Data quality also reveals the reliability of audit evidence. Professional competence and independence are the most fundamental components of audit quality (Knechel, 2016: 215). However, the quality of a good audit can be evaluated depending on many processes and different components which is affected by.

Audit quality is defined as compliance with specified rules, absence of misleading information and absence of material misstatements in the financial statements prepared by the entities (Knechel et al. 2013:385). Audit quality is to express an appropriate opinion by supporting the accuracy of financial information with objective evidence. After the audit is completed, the audit report is forwarded to the auditor responsible for quality control to review the audit in accordance with the matters specified in Quality Control Standard 1 (KKS 1). The report is dated after the quality review is completed. The responsible auditor uses audit quality indicators to assess audit quality (Lawrence, Minutti-Meza and Zhang, 2011: 261).

DeAngelo (1981) states in his study that the auditor's competence and independence are decisive for audit quality. The reliability of the information provided to external users depends on the auditor's ability (Titman and Trueman, 1986:160). Besides that, for a quality audit, the support of all parties involved in financial reporting is as important as the auditor's qualifications. To guarantee audit quality, it is necessary to adhere to ethical rules in independent auditing. Serving high-risk clients, errors in judgment, lack of training, and inadequate audit supervision of audit activities are factors that affect audit quality (Patrick, 2004: 99).

Automation by integrating information technologies into audit processes is crucial to improving audit quality. Ganz (2013:206) recommends the application of the PDCA (Plan-Do-Check-Act) cycle developed by Deming, one of the pioneers of quality, to ensure data and audit quality. In this study, Ganz names the stages of the Deming cycle Planning-Applying-Reporting-Responding. In the Planning phase, determining the scope and purpose of the audit, allocation of resources, collection of data by determining procedures, in the Implementation phase, document review, evidence collection, evaluation of controls, analysis and

reporting of information; in the Reporting phase, findings should be documented, corrective actions should be proposed, the report should be finalized and submitted; in the Responding phase, corrective action plans should be developed, activities should be monitored, re-auditing and responses to findings should be determined.

Audit quality can be mentioned when generally accepted auditing standards, quality control standards, and laws are complied with (Altıntaş, 2007: 80). Moreover, to guarantee audit quality, it is necessary to adhere to professional ethical rules in independent audit. Having the required level of systems, procedures, and methods is the only way to ensure the desired level of quality. IAASB has issued International Standard on Quality Control 1 and International Auditing Standard 220 to embed quality in the organizational culture of audit firms.

For audit quality in Turkey, the Public Oversight Accounting and Auditing Standards Authority (POA) has introduced Quality Management Standard 1 (KYS 1) for audit quality at the audit firm level, Quality Management Standard 2 (KYS 2) for reviewing audit quality, and Independent Auditing Standard (IAS) 220 (Revised) for quality management at the audit level by including Quality Management in Independent Audits of Financial Statements. These standards have enabled independent audit firms to internalize quality as a corporate culture, integrate quality into the senior management and leadership structure, and make monitoring and correction continuous as a quality element in the audit activities they will perform, thus enabling the establishment of an applicable and appropriate quality management system in the existing ecosystem.

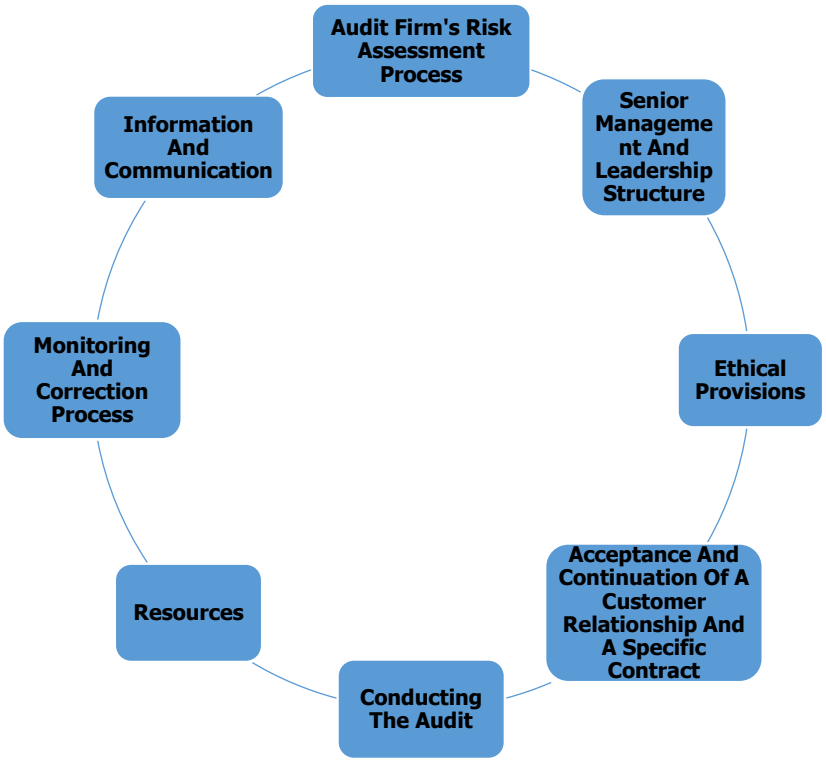
### 2.4. Quality In Independent Audit Firms

To ensure the quality of an audit, independent audit firms should operate their quality management systems in the best way possible. For this purpose, according to the Quality Management Standard (KYS), firms should establish a quality management system integrated with procedures and policies that include independent elements. The KYS regulates the responsibilities for establishing and implementing a quality management system for audit services performed by audit firms, and the review of the audit quality of the audit firm is a part of the KYS (KGK, 2023a:3). The Public Oversight Authority (2023a:5) requires firms to design and implement quality management systems that comply with the quality management standard by December 31, 2023.

The Quality Management Standard works together with the rules in the legislation and ethical principles. According to KYS 1 (POA, 2023a), the audit firm establishes and implements the design of the quality management system in accordance with the structure of the company, the services provided, and the circumstances. Responsibility and accountability for the quality management system rests with senior management of audit firms. The fact that the quality management system is a continuously renewed enables the audit firm to make the necessary corrections according to the changes that may occur in its nature, the

conditions in which it operates, and the audit performed. This feature is defined as "Scalability" according to KYS 1 (POA, 2023a). According to KYS 1 (POA, 2023a), 8 elements of the Quality Management System to be established in audit firms are shown in Figure 1. These elements are harmonized with the elements in KYS 1. Audit firms can use this terminology, or they can choose to use different terminologies for these components if they wish. They can also determine the frameworks themselves instead of the frameworks of the 8 elements.

**Figure 1. Elements of Quality Management System According to KYS 1**



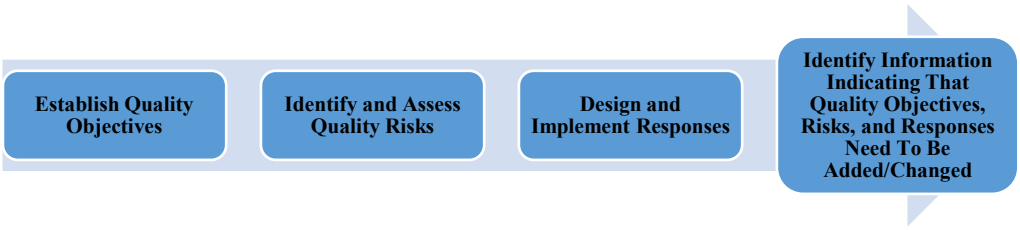

**Source:** KGK (2023a:4).

The risk assessment process element is important in determining quality objectives. According to this element, the quality objective to be determined by the audit firm in accordance with KYS 1 (POA, 2023a) and the objectives of the quality management system should be realized with a risk-based approach. Risks that may affect the achievement of the objectives in the quality practices to be realized in the risk assessment process are identified and evaluated.

According to KYS 1 (POA, 2023a), during the risk assessment process, the audit firm focuses on the following issues,

- Company's business processes, business model and, operational/strategic decisions,
- The company's management style and leadership structure,
- Company resources and resources offered by external service providers,
- Professional standards and, regulations,
- Operating environment,
- The company's technological network,
- The nature and scope of the services of the audit network in which it is included and the obligations arising from this network.

**Figure 2. Implementation Steps of the Risk Assessment Process According to KYS 1**




**Source:** KGK (2023a:4).

According to KYS 1 (POA, 2023a), the steps to be applied in the risk assessment process are shown in Figure 2. Audit firms first determine their quality objectives according to the elements of the quality management system. They determine the risks that may arise by taking into account the nature of the audit firm that sets the quality objectives, the conditions it is in and the audits it has performed. It takes the necessary steps in accordance with its procedures by determining its policies including what should and should not be done based on the justifications of its assessments of the identified risks, their timing and qualifications. The audit firm may express these steps in writing or implicitly. The risk assessment process element is applied in all other elements except the monitoring and remediation element.

The top management and leadership structure element refers to the organizational structure of the company, the distribution of duties and responsibilities, the planning and provision of resources, culture and leadership responsibilities, and accountability. To embed a quality culture within the existing organizational culture, the contribution and leadership of the company's top management are essential in establishing the system. The top management determines the necessary changes while establishing the quality management system, prepares a plan by identifying what needs to be done and implements these steps with an approach that targets the participation of everyone. It also identifies

key people who will undertake critical tasks in this process and provides them with the necessary support (Gryna, 2001:221). The leadership of the top management plays an important role in the system's becoming a culture and success against the fears of innovation within the company, the fear of loss of power and, employee resistance due to the thought that the workload will increase (Goetsch, and Davis, 2013:87). Together with, managers also lead the implementation of the system, support employees who contribute to the maintenance of the system and reward their behavior (Keçecioğlu, 1998:111). According to KYS 1 (POA, 2023a), the audit firm determines the quality objectives for the senior management and leadership structure. The audit firm serving the public interest should foster a strong quality culture by prioritizing quality in its strategic decisions and practices, adhering to professional ethics and values, ensuring that its personnel uphold quality in all audit services and activities, and conducting audits and services in a manner that reflects quality. Senior management and leadership in audit firms should be responsible and accountable for quality and demonstrate their commitment to quality through their actions/behaviors. Senior management and leadership should have a good understanding of KYS 1. Senior management should plan, procure, and allocate all resources in alignment with the audit firm's commitment to quality. The audit firm's organizational structure, duties, authorities, and distribution of responsibilities for the operation and implementation of the quality management system should align with the quality management system. Those entrusted with responsibilities should have the knowledge, experience and authority for their responsibilities. The fact that those who have responsibility and accountability in audit firms have the duty to periodically evaluate the performance of those responsible for the operation of the quality management system encourages leadership accountability. When senior management and the leadership structure support quality, it also encourages the staff to perform their duties in a quality manner.

The ethical provisions' element relates to the audit firm and its personnel operating in accordance with ethical rules in all their practices and transactions. The audit firm also considers the relevant ethical rules that apply to people not involved in the company within this scope.

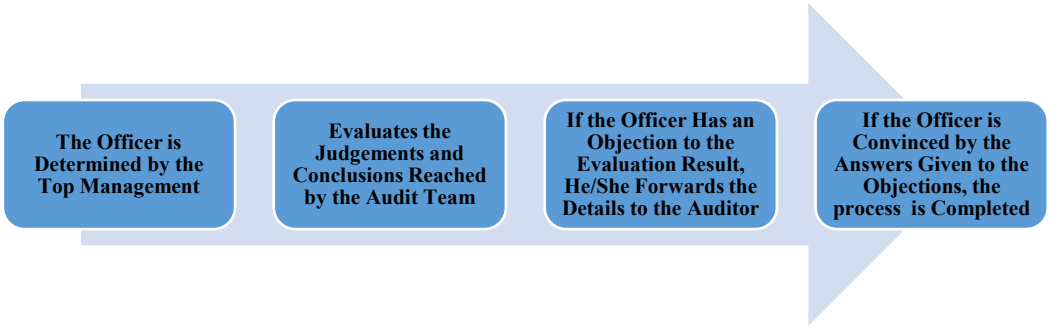
The audit firm's relationship with its clients and its judgments about the acceptance of contracts with clients or the continuation of existing contracts are considered an important element. The audit execution element includes the practices of the audit firm to support the consistent and high-quality execution of the audit activity. It also includes how the audit firm encourages auditors to exercise their professional judgment and how auditors apply professional skepticism.

The resources element covers on-time procurement, utilization, protection, and distribution of the technological, intellectual, and human resources required for the quality management system to be established and implemented in the audit firm.

The information and communication element refers to the collection, creation, and use of information within the scope of the quality management system by the audit firm in the establishment and implementation of the quality management system, and its transmission within and outside the company.

The monitoring and correction process element covers the timely access of the audit firm to reliable information needed on matters related to the establishment, and implementation of the quality management system and the necessary arrangements to be made in case of deficiencies. The monitoring and correction process is applied in the monitoring process of all elements of the quality management system.

**Figure 3. Implementation Steps of the Audit Quality Review Process According to KYS 2**




**Source:** KGK (2023b:4).

The implementation steps of the audit quality review process are shown in Figure 3. According to KYS 2 (POA, 2023b), the persons responsible for the functioning of the system are also assigned by senior management. The audit firm should establish policies and procedures for these assignments. The person selected for the assignment should be meritorious, knowledgeable, and capable. However, the engagement should not be from the audit team. The audit firm shall establish policies or procedures that address situations in which the quality reviewer's merit is impaired and the appropriate steps to be taken by the audit firm in such situations, including the process for identifying and appointing a replacement.

Individuals appointed by the Company for the quality management system shall perform their duties in accordance with the provisions on independence. The engagement partner shall objectively evaluate the judgment and conclusions of the audit team in accordance with the legislation and professional standards. The procedures, scope, and timing of the procedures to be performed by the engagement partner during the quality review may vary depending on the circumstances of the audit or the entity and the nature of the entity. If the engagement partner is positive in its assessment of the audit, the review is completed. If the result of the engagement is negative, the matter is reported to the responsible auditor. In the absence of a convincing result, the engagement cannot be completed.

The person in charge is also responsible for monitoring the system and correcting it when necessary. Therefore, it is obligatory for the officers to provide documented information to the company at least once a year about whether the implemented system provides reasonable assurance to the company that it achieves the intended objectives. At the reasonable assurance level, it is necessary to consider that there may be human error and errors arising from information technologies. The engagement partner is not required to collect evidence to support the audit conclusion.

BDS 220-Revision (POA, 2023c) includes the auditor's responsibilities for quality management and the responsibilities of the responsible auditor in the independent audit of financial statements. According to BDS 220-Revision (POA, 2023c), the responsible auditor has accountability and ultimate responsibility. In addition, the auditor responsible is also responsible for directing and supervising the team performing the audit, reviewing their work, and making corrections when necessary. To ensure quality, the lead auditor, as a leader, should create a suitable working environment for the audit team, ensure the team's commitment to quality, and guide them to take the expected steps. The auditor responsible for fulfillment of his/her duties of directing, supervising, and reviewing the work of the team is realized through his/her active participation in the audit process. The engagement auditor determines that he or she has overall responsibility for audit quality and ensures that quality is managed before the audit report date is issued. The engagement auditor is also responsible for ensuring that the audit is conducted independently and in accordance with ethical principles. The engagement partner is also responsible for communicating the need for additional resources and the need for audit personnel responsible for the activity when he/she sees an impropriety or inadequacy in the resources of the audit. In relation to the client relationship and contract acceptance, the engagement partner is also responsible for notifying the audit firm of issues that may lead to the rejection of the contract by the audit firm. It is also the responsibility of the auditor responsible to take steps against quality risks when the audit firm's activities are not audit-effective or not based on procedures and policies.

## 3. Systematic Approaches to Prevent Quality Risks in Auditing

1. Quality Risks Related to Business Process, Business Model and Strategic Decisions

Quality Risk:

The audit process considers some important issues such as business processes, business model, and strategic decisions of the audited companies. The complexity of a company's business processes determines that these processes will be more difficult to address accurately and completely when it comes to the audit.

In this context, uncertainties in the business processes or sudden changes in the company's business model may lead auditors to misjudge these processes and make audit errors. More specifically, frequent changes in the company's business model may lead auditors to perform audits of a company that is growing rapidly or entering new markets without sufficient knowledge of these changes.

On the other hand, strategic decisions can directly affect the overall operations of the company. Wrong strategic decisions can lead to distortions in the financial structure of the company and cause serious errors in financial reporting. When auditing firms do not consider such variables, errors or misstatements may occur in the audited company's financial statements. Ignoring the effects of strategic decisions on financial statements can lead to quality issues in the audit process, which can undermine the reliability of the audit.

Management Approach:

In terms of managing these risks, the Systems Approach, which analyzes the relationships and interactions between events and phenomena, provides an important conceptual framework (Bertalanffy, 1920). The systems approach views organisms, structures, organizations, mechanisms, and natural occurrences as a set of elements that interact or cooperate with each other and the external environment to produce a system. According to the system, all parts of the organism are interdependent; therefore, these parts should be treated as a whole. Audit firms should consider the business processes, operating models, and strategic decisions of audited companies in a broad context. Audit firms should assess the business processes, operating models, and strategic decisions of the companies they audit not only from a financial data perspective but also from an operational and strategic dynamic perspective. The audit strategy needs to be broadened and deepened to understand the complexity of business processes and the dynamic nature of business activities. Audit firms should perform a holistic assessment, considering the company's internal processes, external market conditions, industry risks, and long-term strategic objectives, thus contributing to the analysis of not only the current situation but also new areas that may be encountered in the future. This approach demonstrates a strategic audit approach that serves both the management of risks and the sustainable growth of the company. This assessment process includes factors such as the company's field of activity, the dynamics of the sector in which it operates, the technologies used and workforce management. Audit firms should have a structure that can quickly adapt to changes in business process. Sectoral knowledge and experience are among the most important factors that will improve audit quality. In addition, the methodologies to be used in the audit process should be compatible with the auditee's business model and strategic decisions. The audit firm should ensure that the business processes are documented in detail and continuously monitor the impact of the company's strategic decisions on the financial statements. This approach will minimize the risks that may be encountered during the audit process.

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2. Quality Risks Related to Management Procedure and Leadership Structure

Quality Risk:

Management procedures and leadership structures of audited companies are one of the most direct factors affecting the audit process. The role of the company's management team in accounting processes and the leadership style adopted play a crucial role in the preparation and accuracy of financial statements. Hassan et al. (2021) stated in their study that integrated audit management effectiveness is crucial for business sustainability, especially in manufacturing companies. According to them, strong management practices create a supportive environment for auditors and improve the audit process. This is consistent with the findings of Kassem (2018) who found that auditors assess management integrity as part of their efforts to ensure that audit quality remains high; this reflects leadership's attitude towards ethical behavior. Moreover, the characteristics of the leadership structure, such as the relationship between supervisors and managers, may also be an important determinant of audit quality. In their study, Yan et al. (2023) concluded that internal audit can only fulfill its role effectively when there is a well-defined leadership system in place. Leadership that is perceived as supportive and participative enhances the audit process as auditors will have all the resources and authority to perform their duties effectively. In particular, the management team's approach to financial reporting processes can be decisive for the success of the audit process. Specific factors that can have a negative impact on audit quality include a lack of transparency of the company's governance structure, a lack of healthy communication with the audit firm, or management resistance to the audit process. In addition, the use of unethical practices at the management level may increase the risk of fraud and deception in the audit process. One of the biggest problems auditors face in companies with such weak governance structures is the inability to gather sufficient evidence about the reliability of the financial statements.

Management Approach:

Institutional Theory has been an important theoretical foundation for managing risks in the governance structure. Institutional Theory is one such framework that attempts to explain the structure, behavior, and dynamics of organizations within their broader social context. It came to prominence in the late 20th century, especially in the 1970s and 1980s, with scholars acknowledging the importance of social norms, rules, and beliefs in shaping organizational behavior and structure. This theory assumes that organizations are shaped not only by market forces but also by institutional environments, including regulatory, normative, and cultural-cognitive dimensions (Editors, 2014; Suddaby, 2010). The audit firm should explicitly examine the governance structure and leadership style adopted by the company. It has been observed that audit processes are more transparent and reliable in companies that comply with corporate governance principles. Therefore, audit firms should have detailed knowledge of the auditee's governance procedures.

Audit firms should integrate corporate governance principles such as transparency, accountability, and fairness into the audit process. In addition, regular communication channels should be established with the management of the auditee and all-important information related to the audit process should be shared through these channels. If weaknesses in management procedures and leadership structure are recognized, the audit firm should implement more stringent control and verification processes. Such an approach will improve audit quality and ensure the reliability of the financial statements.

3. Resources and Quality Risks Related and External Service Providers

Quality Risk:

The resources of the companies audited by audit firms and their relationships with external service providers are among the factors that directly affect the quality of the audit process. If the audited company does not have sufficient financial and human resources, it may cause disruptions and errors in accounting processes. For instance, a company may not have sufficient financial resources to update the software used in financial reporting; this may affect the accuracy of the financial statements.

In addition, services from third-party service providers may also cause quality risks during the audit process. If the company collaborates with a third-party service provider in accounting or technological infrastructure process, any deficiency in the quality of these services may adversely affect the outcome of the audit. For example, if the provider of the accounting software used by the company does not update it promptly, this may result in the misstatement of the financial statements.

Management Approach:

Resource Dependence Theory, conceptualized by Jeffrey Pfeffer and Gerald Salancik in their seminal book "External Control of Organizations" published in 1978, assumes that organizations are not self-sufficient entities but depend on external sources for vital resources such as capital, expertise and labor. Resource Dependence Theory is one of the major frameworks in organizational studies and focuses mainly on the interdependence of organizations with external environments, particularly issues related to resource acquisition and management. Resource Dependence Theory provides a valuable theoretical framework for managing these risks. According to Resource Dependence Theory, an organization's dependence on external resources is directly related to its performance and sustainability. This dependence creates power dynamics that influence organizational behavior and strategy (Jiang et al., 2022; Hillman et al., 2009). Accordingly, audit firms should scrutinize not only the internal resources of the companies they audit but also their relationships with external service providers.

This includes assessing the company's degree of dependence on external resources and their impact on business processes. It is relevant to analyze, especially, factors such as what resources are critical, in which moments risks may happen, and how the relationships between resources affect operational processes. This enables the dependence of the audit process and strengthens the strategy of risk management.

The adequacy of the auditee's financial and human resources is critical to the success of the audit process. Audit firm should pay great attention to the details of the auditee's resources and value their contribution to the accuracy of the financial statements. In addition, the quality of services provided by external service providers should be continuously monitored. Report regularly on the quality of arrangements with external service providers, including service quality. It should also be carefully analyzed whether these services are detrimental to the audit processes. If organizations engage inadequate or poor-quality service providers, the audit process should be detailed and more rigorous.

4. Professional Standards and Risks Associated with Legislation

Quality Risk:

Audit firms are required to conduct their activities in accordance with national and international professional standards and legislation. Violations of professional standards and legal provisions can lead to serious errors during the audit process and may cause the audit firm to face some legal troubles. Especially for companies operating internationally, evaluating the regulations of various countries together and conducting audits based on these regulations can complicate the audit process.

The constantly changing legislative structure makes it difficult for audit firms to comply with the legislation. If new legal regulations and updates in professional standards are not followed, incorrect practices may be applied in the audit. This may lead to a decrease in the quality of the audit and also to unreliable audit results.

Management Approach:

Regulatory Compliance Theory guides on how audit firms can manage the process of compliance with legislation and professional standards. Regulatory Focus Theory (RFT) is a psychological framework that suggests that individuals derive greater motivation and perceived value when their goal-pursuit strategies match their regulatory orientation. Originally developed by Higgins, this theory essentially emphasizes the idea that people differ in their motivational orientations; primarily a promotion focus on achieving positive outcomes and a prevention focus on avoiding negative outcomes. When people strive to achieve goals in a manner consistent with their regulatory focus, they feel "fit", which increases their level of

motivation and the value of their activities (Higgins et al., 2003; Mantovani and Tazima, 2016; Daryanto et al., 2009).

Regulatory compliance theory argues that an organization should ensure its survival by complying with regulations and standards. Audit firms should fully comply with regulations in each country in which audited companies operate and conduct an audit process in compliance with those regulations. As it is obvious, auditing companies need continuing education programs and updated training to cover changes in legislation and professional standards. Audit staff should be regularly informed about changes in legislation and audit methodologies should be updated accordingly. Strengthening internal control mechanisms and regularly testing compliance with legislation is crucial to ensure audit quality. In this way, the compliance of the audit process with the legal framework can be ensured on an ongoing basis.

5. Quality Risks Related to the Business Environment

Quality Risk:

Among the factors that may create quality risks in the audit process are the environmental conditions in which audited companies operate. The economic, social, political, and technological realities of the environment may affect the financial statements of companies in various ways. For example, economic fluctuations or processes of crisis may cause a company's revenues to decline or costs to increase, resulting in lower profit margins and fluctuations in financial indicators. Social factors, such as consumer preferences or employee demands, can affect the cost structure and sales expectations. Other political changes, such as new regulations or tax adjustments, may increase the company's financial liabilities or cause changes in revenue items. On the other hand, technological factors may increase the company's capital expenditures or even force it to change its existing business models, especially in areas such as digitalization, automation, and innovation requirements. The impact of such environmental factors on the financial statements may lead to unexpected risks during the audit process and affect the quality of the audit.

Changes in the political and legal environment can also affect the audit process. For instance, a political crisis in a country or sudden changes in the regulatory framework may have a significant impact on the audited company's financial statements. Social and cultural factors are also factors that need to be considered in the audit process, as companies' social responsibility policies and cultural structure may have indirect effects on the financial statements.

Management Approach

Probability Theory has been one of the important theoretical frameworks for the study of organization, assuming the effectiveness of an organization depends on

the fit between its internally characterizing features and the external environment in which it operates. That is, this theory presents the belief that there is no correct method for management or the best form of organization; instead, the optimal course of action depends on a variety of situational factors, commonly referred to as "contingencies" (McAdam et al., 2019; Geng et al., 2021).

In the context of this theory, it is argued that the audit methodology and strategies applied during an audit should be adjusted to the environmental conditions in which the company operates. According to this view, audit firms should assess the operating environments of the companies they work with and make relevant assessments about how these environments may affect the process. More stringent mechanisms will need to be implemented for processes of economic crisis and uncertainty. The auditee's resilience to environmental risks should be an important consideration in the audit process. In the meantime, political and legal changes in the country of operation should be continuously monitored and the audit process adapted accordingly. Such an approach will improve the quality of the audit and reduce the impact of risks arising from environmental factors.

6. Technological Networks Quality Risks

Quality Risk:

Nowadays, the rapid development of technology brings with it a series of opportunities and risks that coexist in audit processes. Security vulnerabilities that may arise in the technological infrastructures used by companies to prepare their financial statements have the potential to question data integrity. Errors in information technology systems cause serious problems in financial reporting and make it impossible to rely on audit results.

On the other hand, the failure of audit firms to use technology effectively in their internal processes can be a source of problems for audit quality. Audit procedures that are not sufficiently integrated with technology become vulnerable to human errors and may cause a loss of time in the audit process. Especially in large-scale audits, effective use of technology will increase the precision and speed of the audit procedure.

Management Approach:

Important guidance on these risks is provided by sociotechnical systems theory. Sociotechnical Systems Theory is an interdisciplinary framework that puts into perspective the interdependence of social and technical elements within organizations and systems. It argues that both social (human) and technical (machine) subsystems need to be optimized together for effective and sustainable outcomes (Polojärvi et al., 2023).

Audit firms should examine in detail the information technology infrastructure of the companies they audit and assess the impact of these systems on the accuracy of financial statements. To avoid technology-based risks, software and technological systems used by the company should be regularly updated and cyber security should be enhanced.

Audit firms should also improve audit quality through the effective use of technology in their internal processes. Digital audit tools and analysis software will make the audit process more efficient and avoid manual errors. In this respect, it is crucial for audit firms to support digital transformation and organize the necessary training to adapt auditors to technologies. Effective management of technological risks improves the quality of the audit processes and ensures data security.

7. Quality Risks Related to Audit Networks

Quality Risk:

Audit firms may also be exposed to quality risks in their audit networks. The quality and scope of services provided by other companies in the audit network can directly affect audit results. The failure of one company in an audit network may damage the credibility and reputation of other companies in that network. Therefore, cooperation and coordination among companies in the audit network is crucial.

There may be inconsistencies in the application of standards within the audit network, which may lead to deviations in audit quality. In addition, lack of communication between companies in the audit network can lead to difficulties in managing business processes and errors may be made during the audit process. As the size and complexity of the audit network increases, coordination of audit processes may become more difficult.

Management Approach:

Network Theory provides an important theoretical framework for how relationships and collaborative processes in control networks should be managed. Accordingly, it focuses on understanding how human and natural elements interact with each other and suggests that such systems can be effectively modeled as a network of often discrete, heterogeneous components (Gonzalès and Parrott, 2012).

According to this theory, linkages and information sharing among network companies affect the overall performance and credibility of the network. Audit firms should ensure that quality control processes are effective in the audit network of which they are a part and should cooperate strongly with other companies within the network.

It is important to ensure that companies in the audit network comply with common quality standards, and the implementation of these standards should be continuously monitored. In joint audit projects, effective coordination between the companies in the network will improve the quality of the audit processes. Besides, regular communication should be established with the companies in the audit network and the audit results of the companies in the network should be reviewed periodically. Such an approach will reduce quality risks in the audit network and make audits more reliable.

## 4. Conclusion

This paper develops a detailed road map for improving audit quality by providing theoretical foundations and practical recommendations for managing quality risks in audit processes. The drivers of audit quality are discussed in detail in terms of both internal factors (e.g. management structure, leadership resource management) and external environmental factors (such as economic, political and technological variables).

Among the main conclusions of the study, it was observed that quality risks encountered during audit processes should be assessed not only through technical practices, but also through organizational, ethical and strategic dynamics. Particular emphasis was placed on the fact that leadership structure, corporate governance principles and technology integration are among the important levers for improving audit quality. In this context, the theoretical approaches proposed in the study, such as the Systems Approach, Institutional Theory, Resource Dependence Theory and Contingency Theory, provide a robust framework within which quality risks can be identified and managed.

It has also become clear that audit firms need to go beyond existing standards and move to a dynamic quality management system. Adopting a risk-oriented approach will not only mitigate existing risks but also prepare for potential future risks. Integrating information technologies into audit processes, improving data quality, and effectively managing audit networks are important elements that support audit quality.

The road map developed in this study provides comprehensive guidance to audit firm in the following areas: Sustainable Quality Management, which ensures continuous monitoring of internal processes and periodic renewal of the quality management system; Risk-Based Approach, which ensures that all risk categories encountered in audit processes are systematically addressed; Strategic Assessment, which ensures that business processes, strategic decisions and outsourcing relationships are evaluated from a holistic perspective; and Leadership and Ethics Approach, which contributes to structuring the leadership structure to support the quality culture and strengthening compliance with ethical values. In conclusion, improving audit quality is only possible by adopting the quality approach as a corporate culture and integrating this approach into all stages of processes. This

study provides a comprehensive guide to help audit firms prepare not only for today's requirements, but also for the challenges of the future. This model, proposed as a way to improve the reliability of audit peri processes and mitigate risks, will be an important resource in ensuring continuity in audit quality.

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