

## Concepts For Assessing Audit Quality Of Cooperative Auditors In Thailand

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### Abstract

The objectives of this study were to test the audit quality factors of the cooperative auditors in Thailand with empirical data and to present the appropriate audit quality assessment form for the cooperative auditors. This research used the Mixed Method using the test results from the quantitative research followed by the qualitative research. For the quantitative research, the researchers determined the research population consisting of the cooperatives under the responsibility of 1,299 cooperative auditors in Thailand with the sample group of 460 persons. The model was examined with empirical data. The statistics used were frequency, percentage, mean, standard deviation, and the Confirmatory Factor Analysis. For the qualitative research, the In-Depth Interview was used to ask for opinions on the concept of the assessment on the audit quality of cooperative experts in Thailand to cooperate in analysing the results of quantitative researches totalling 17 persons. The results of quantitative researches revealed that audit quality factor model was consistent with empirical data. The qualitative research results were mostly consistent with the quantitative research to present the conceptual model for the audit quality assessment of the cooperative auditors which can be used by relevant persons for the assessment and development of the audit quality of the cooperative auditors in Thailand.

**Keywords:** Assessing, Audit quality, Cooperative Auditors

### 1. Introduction

At present, the fraud problem occurs because the financial statements are manipulated causing significant loss. This can be seen from the bankruptcy of many large corporations in foreign countries indicating the lack of transparency in the financial statements of the entities and the financial statement manipulation to create wealth for the management such as Enron, WorldCom, Tyco international, Global Crossing, Adelphia, Xerox (Rezaee & Kedia, 2012). The case of Enron's fraud in USA was mainly due to the lack of professional ethics of the auditor affecting the global economy. The regulator bodies began to take measures in controlling the audit work image (Al-qtaish et al., 2014; Al-Taweel, 2015; Chambers, 2011; Khani, 2014; Sae-Lim & Jermsittiparsert, 2019). This includes the corruption in the cooperative industry affecting many members and related parties. It is the reason why the Cooperative Auditing Department have to inspect the quality of audit work to be of reliable quality and beneficial to cooperatives. The cooperative is a type of business enterprise that deals with business entities and is regarded as having a very high business value affecting a broader range of people compared to the 11,570.30 billion baht in GDP. In the year 2020 (Bank of Thailand, .2021), the value of Thai cooperative business was 264.97 billion baht, or 2.29 percent of the country's GDP. Therefore, the auditors must perform audit work with quality to build confidence in the financial statements of the cooperative or the users of financial statements in general.

The service of the auditors will be more quality when the auditors performs the work in accordance with auditing standards) International Auditing and Assurance Standard Board: [IAASB], 2012; 2014; Federation of Accounting Professions ,2012).

The quality of an auditor's audit work is largely determined by the likelihood that the auditor will detect and report errors. How useful a financial statement can be depends on the quality of audit work provided by the auditors (Franczel, 2013). The US Public Company Accounting Oversight Committee (PCAOB) has established three audit quality indicators: Audit Professionals, Audit Process Level. ) And the quality of audit work (Audit Results)

PCAOB identified the indicators of auditing quality into 3 aspects; Audit Professionals, Audit Process, and Audit Results (Public Company Accounting Oversight Board: [PCAOB], 2015). Methods for measuring audit quality can be separated into 2 issues: 1) Direct Measures of Audit Quality is a measurement method from the Input into the Auditing Process and audit results are the auditor's report and 2) Indirect Measure of Audit Quality is a study of the relationship of audit quality with various factors including the size of the audit firm and the duration of the audit firm in relation to clients (Chadegani, 2011). Brown (2016) studied the primary auditing performance indicators of the leading auditor in Wisconsin, USA, aimed to validate audit performance through the AQ framework quality indicator (PCAOB, 2015). With the skills, knowledge and experience in performing audit work including accounting consultation, the emphasis is placed on audit performance that is measurable and provides tangible benefits to the users of the financial statements. For the audit quality framework, the researchers reviewed the international audit quality framework of the auditing researchers. Knechel et al. (2013) studied the audit quality model using the BSC.4 perspective as a measure of inputs, processes, outcomes and environment. Knechel et al. said that the audit team and the professional skepticism are essential to audit quality. DeFond & Zhang (2014) developed the audit quality framework derived from the Economic Model in relation with the Demand and Supply. The auditor should abide by the laws and regulations regarding the audit work in their work to build the reputation of the auditor and reduce litigation from clients and regulators.

Audit Quality means that the auditors can detect and report the errors or the non-conformity to the entity's financial reporting standards accurately and appropriately to the situation (Federation of Accounting Professions, 2012). For the auditors to be able to provide quality services and to respond to public expectations, the auditors will have to detect material errors both intentionally and unintentionally (Bashir, 2013; IFAC, 2014). The Cooperative Auditing Department has prepared a manual for the auditing quality control standard system (CAQC) for cooperative auditors to use as a guideline for practice of the auditing work and auditing criteria (Cooperative Auditing Department, 2010). For the measurement of auditing quality, in this research, the researchers used the concepts of the Cooperative Auditing Department and the researchers both international and in Thailand in 4 areas (CAQ, 2014; Cooperative Auditing Department., 2020).

Therefore, in order to assure users of cooperative financial statements that the auditors will perform their duties with quality. There should be an appropriate audit quality assessment form. The objective of this research was to test the composition of audit quality and propose the conceptual framework for assessing the audit quality of cooperative auditors in Thailand

## **2.Research Methodology**

This research used the Mixed Method using the test results from the quantitative research followed by the qualitative research. For the quantitative research, the researchers determined the research population consisting of the cooperatives under the responsibility of 1,299 cooperative auditors in Thailand with the sample group of 460 persons employing Stratified Random Sampling.

The tools used in this research were both tools built by the researchers and the tools greatly improved by the researchers from those have already created. There are 4 auditing quality factors characterized as a 5 Likert Rating Scale (5 = most to 1 = least). The revised questionnaire, along with the researcher-created consistency assessment, was proposed to 6 experts to assess the consistency between the content of the question and the operational term definition. The IOC was found that the entire questionnaire was 60% or more, or the consistency between 0.60-1.00 met the criteria used to determine the validity of the content. The calculated value must be greater than 0.50 (IOC > 0.50) (Sirichai Kanchanawasi, 2002). Confidence was tested on 30 non-sample subjects in all research questions. The questions were 0.781-0.996 with  $\alpha$  from 0.70 and above. It is considered that the questions have reliability (Laddawan Petchrote and Atchara Chamniprasart, 2002). After all questionnaires have been returned, the researcher checked the quality of the questionnaire again. The audit process had the accuracy of 0.925 suitable for use in elemental analysis. The criteria for interpretation of the five levels of mean were the highest (4.21-5.00), high (3.41-4.20), moderate (2.61-3.40), low (1.81-2.60) and the lowest (1.00-1.80).

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The research hypotheses were tested through data analysis of the confirmatory factor analysis of audit quality to check consistency and develop a form and composition. In the case that the model was analyzed according to the conceptual framework in the research using the data obtained from the samples analyzed inconsistent, the model was adjusted by considering the Model Modification Indices in accordance with the empirical data.

For the qualitative research techniques by In-Depth Interview after analyzing the audit quality factors, the researchers used the results from quantitative research to ask for opinions whether it is appropriate or not and ask for opinions in presenting the appropriate cooperative audit quality assessment form. By means of data collection through intensive interviews or in depth from experts in work and policies of the Cooperative Auditing Department, auditors, cooperative auditors, public and private sectors and management representatives, director or an accountant of cooperative, cooperative auditing service user jointly synthesize the results of the quantitative research and present an audit quality assessment form of 17 cooperative auditors with the investigators.

### 3.Results.

According to the quantitative research results on the study of the audit quality factor, it can be summarized as follows.

1. Factors affecting the audit quality of cooperatives are in 4 areas as shown in Table .1

**Table 1:** Mean, standard deviation and level of factors affecting the audit quality of the cooperative auditors in Thailand

Particulars	Mean and	Standard deviation	Level
- The report is accurate and timely.	4.38	0.67	Highest
- The cooperative financial statements are reliable.	4.36	0.88	Highest
- The observations and flaws are informed in time.	4.25	0.99	Highest
- There are suggestions beneficial to the management of cooperatives.	4.37	0.85	Highest
<b>Total</b>	<b>4.34</b>	<b>0.66</b>	<b>Highest</b>

.2The results of confirmatory factor analysis of auditing quality of the cooperative auditors in Thailand revealed that the model was consistent with the empirical data as shown in Table 2 and Figure 1.

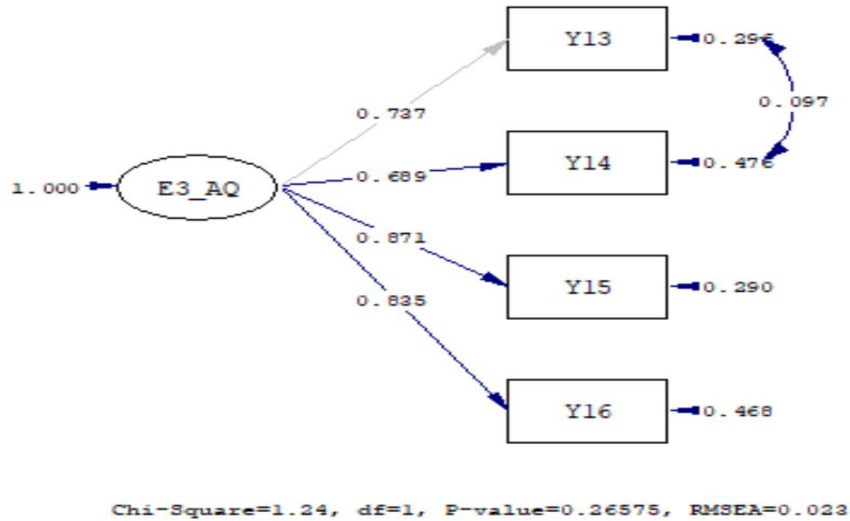
**Table 2:** Results of confirmatory factor analysis of auditing quality of the cooperative auditors in Thailand

Variables/indicators	b(S.E.)	Factor Scores Regression (fs)	R <sup>2</sup>
- The report is accurate and timely.	0.737**(--))	0.804	0.647
- The cooperative financial statements are reliable.	0.689**((0.039))	0.706	0.499
- The observations and flaws are informed in time.	0.871**((0.050))	0.851	0.724
- There are suggestions beneficial to the management of cooperatives.	0.835**((0.050))	0.774	0.599

Chi-Square = 1.24, df = 1, P = 0.26575, GFI = 0.999, AGFI = 0.987, RMR = 0.00596

\*\*p<0.01

Note: b is the element weight. S.E. is the standard tolerance. fs is the element coefficient  
 R<sup>2</sup> is the forecasting coefficient.



**Figure 1** Model of auditing quality measurement

From the results of qualitative study, the key informants had opinions on the model for measuring audit quality factors based on the quantitative research results. These can be summarized as in Table 3.

**Table 3** Summary of opinions, components of audit quality

Audit quality factors	Number	Percentage
1. Consistent	12	70.59
2. Inconsistent	4	23.53
3. Not sure	1	5.88
<b>Total</b>	<b>17</b>	<b>100.00</b>

According to the research results of key informants, most of the opinions were consistent with the audit quality measurement model. The opinions have been presented about the quality assessment of the exam, starting with the auditor’s quality level from the beginning of thinking at level 8 or more to be good. This is to divide the quality of the auditors of the cooperative into 3 levels by assigning 10 scores in all three areas, namely 8-10 points equaling to good, 5-7 points equaling to fair, and 0-4 points equaling to be improved. In the self-development of the auditors and in the development of the quality level even more, there should be a report on the weaknesses of the audit quality for the benefit of the cooperative auditors to improve the quality of work. For the audit quality assessment form, it should be the observation on the behaviors of the cooperative auditors who have been assessed by the supervisor or supervisors of the cooperatives. The auditing work and the weaknesses of the audit quality should be reported for the auditors. Cooperative auditing is used as a guideline for developing audit quality in the next accounting year to be of higher quality.

**4. Discussion and Conclusion**

The audit quality consists of 4 components; The report is accurate and timely, The cooperative financial statements are reliable, The observations and flaws are informed in time, and There are suggestions beneficial to the management of cooperatives. All aspects were found to be the auditing quality factors. This agreed with the research of Brown et al. (2016) studying the auditing performance indicators of auditors according to the AQ Framework (PCAOB, 2015). It was found that the professional auditors who had skills, knowledge and experiences in performing audit work including accounting consulting would focus on the audit performance that was measurable and brought tangible benefits to the users of the financial statements. The financial reports must be accurate, reliable and complete conforming to the standard including timely in the use of financial statements and allocation of time for the audit effectively as well. Therefore, there should be an audit quality assessment form of the cooperative auditors to inquire, observe the performance behavior and report the audit quality results. The assessable quality level of audit work may be of benefit to relevant parties, for example, a

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cooperative who will recruit auditors can use as information in selecting audit services of a cooperative auditor. The Cooperative Auditing Department and the auditors can use the weaknesses that need to be developed to improve the quality of audit work.

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