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ibadicu.oficial@gmail.com***Abstract**

*The global crisis, in which the financial scandals have intensified, has drawn attention towards the professional competence in the audit activity that directly influences its quality and without which the audit process is meaningless. The paper aims to identify the requirements for the development and maintenance of professional competence in auditing, which promotes an increase in the quality of auditing and also the growth of the confidence in the financial statements from the perspective of their users. In the presentation of the material, preference was given to the application of the elements of comparison, analysis and deduction. As an indirect research technique, the analysis of the international framework provisions regarding the field of audit was used and in order to identify the performance of the scientific research at international level, according to various selection criteria, the Web of Science search engine was used. The research results can be used both in the practice of the entities and for teaching purposes.*

**Keywords:** *professional competence in audit; quality in audit; International Education Standards; continuous professional development; quality management system*

**JEL Classification:** M41

**I. INTRODUCTION**

Auditors of financial statements play an extremely important role in the company due to the fact that through their work, they give investors the necessary confidence in the audited financial statements. In order to be able to provide that confidence, auditors must demonstrate professional competence at all times. The lack of competence causes the auditor to unjustifiably rely on the client's management for the asked questions and the evaluation of the answers. Thus, in these circumstances, the question arises as to whether the auditor is able to successfully perform the audit engagement. However, the need to be as qualified as possible in the audit activity, favors the public's trust, as the quality of the audit directly depends on the professional competence of the auditor and on his observance of the ethical principles. Professional competence is developed through formal education, professional exams, as well as by participating in audit courses, conferences, workshops, etc. All these contribute to the development of the professional competence of the auditors, helping them to fulfill their professional responsibilities.

In the conditions of the diversification and rapid renewal of the service offer, the globalization of the markets, and the continuous increase of the clients' exigencies, the quality of the audit services has become a determining factor of the competitiveness of the entities. After numerous spectacular financial scandals around the world, an international dispute has arisen over audit quality, highlighting the need to increase the quality of financial statements audit, as it eroded public confidence in the audit services. In this context, there is a strong need for professional competence in auditing, including adequate training and experience, as well as experience in all aspects of audit work. Therefore, the

auditor must carry out his activity in conditions of maximum professional competence and prudence. Given these aspects, he must maintain his professional knowledge and skills at the required level to ensure that a client will receive competent professional services based on the latest advances in practice, legislation, techniques and to act carefully and in accordance with current technical and professional standards.

Due to this aspect, we considered it opportune to carry out a research whose objective is to identify the new perspectives on the development of the financial statements' audit in accordance with the requirements of a constantly changing market economy, based on quality, which requires implementation and operation a quality management system so that the audit entity proactively manages the quality of the tasks it performs. However, this fact can only be achieved by developing and maintaining the appropriate professional competence for the audit activity.

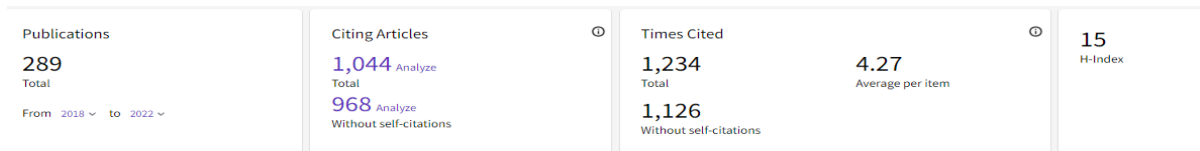
In this regard, the Code of Ethics issued by IFAC describes professional competence as one of the five fundamental principles that must be applied by auditors to identify those threats that could compromise the compliance of an audit process in order to avoid them [7]. Directive 2006/43 / EC also strengthens the requirements for the independence of auditors and specifies the need for a good reputation for professional competence, as well as the requirement to not be involved in activities that are incompatible with the audit mission [3]. At the IAASB meeting in September 2020, a new set of quality management standards was approved, stipulating that the staff demonstrate a commitment to quality through its actions and behaviors, developing and maintaining its professional competence in accordance with the performance requirements and its established role. The staff receives recognition through evaluations, compensations, promotions and other incentives, in a timely manner [4].

In December 2018, the IAESB published the revised IES 7 "Continuing Professional Development", which clarifies the principles and provisions on how professional accounting organizations quantify, monitor and apply their continuing professional development systems. IES 7 (revised, 2020) clarifies that all professional accountants must develop and maintain their professional competence in order to fulfill their role. In addition, the IAESB has published supporting materials for the implementation of IES 8, "Professional Competence for Mission Partners Responsible for Auditing Financial Statements" (2021), using an educational goal-based approach to assist those responsible for accounting professional education programs. Initial professional development programs and the development of professional skills through practical experience [8].

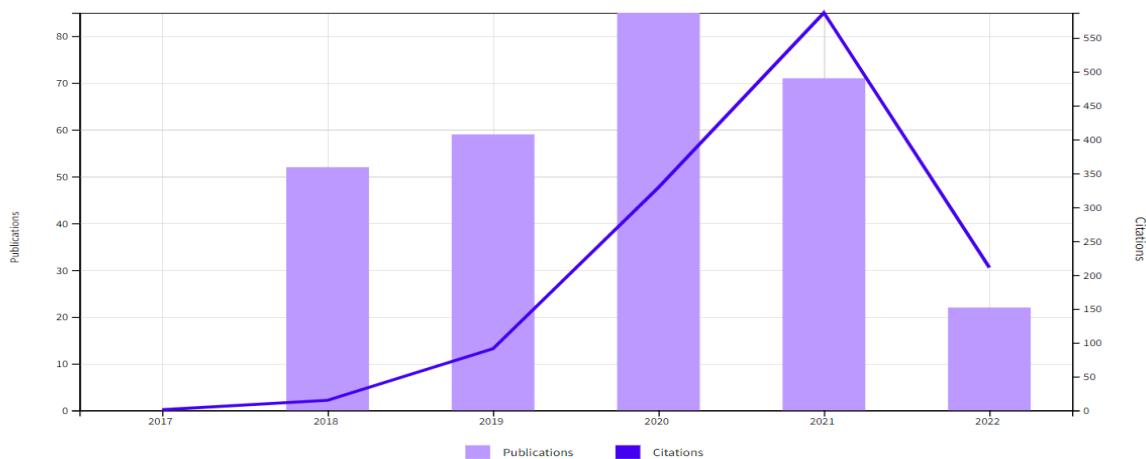
## **II. RESEARCH METHODOLOGY**

In the presentation of the material, preference was given to the application of the elements of comparison, analysis and deduction. By using appropriate research methods, such as non-participatory observation, analysis of mandatory audit requirements and interpretive methods, the paper aims to identify the requirements for developing and maintaining professional competence in auditing, which promotes increased auditing quality and confidence in the financial statements.

The Web of Science search engine was used to identify scientific research at the international level and to assess scientific performance in the field of audit quality. The study of the publications from the Web of Science platform was done by setting some search criteria in order to obtain relevant results for research. The first criterion for receiving and examining the data was to establish the "audit quality" keyword, the second one was to determine the period of interest "2018-2022" and the data recorded in the last 5 years and the third search criterion being the selection of only the "open access" papers, these presented in figure 1.



Times Cited and Publications Over Time



**Figure 1. Dynamics of audit quality publications in 2018-2022 and average number of citations per year**  
Source: Developed by authors based on Web search results

As a result, 289 scientific papers were selected, which correspond to the three criteria indicated, of which - depending on the category of papers - 266 papers are articles (92.042%) and the other categories being insignificant. From a quantitative point of view, most publications were published in 2020, namely 85 publications. At the same time, in order to demonstrate the interest of researchers at international level and to analyze the scientific performance in the field of audit quality, the average number of citations per year of publications was also identified, which demonstrates a non-uniform upward increase from year to year. The highest number of citations was in 2021, namely 587 citations. Depending on the categories accepted by Web of Science, out of the total 289 scientific papers, 153 papers (52.941%) were reviewed in the category "Business Finance", 52 papers (17.993%) in the category "Business", 32 papers (11.073%) in the "Economics" category and 32 papers (11.073%) in the "Management" category.

### III. RESULTS AND DISCUSSIONS

As in other professions, success in auditing requires solid knowledge and expertise in the field. Thus, success depends on education, research and training in the field and admission to the profession after obtaining the necessary qualifications. With regard to appropriate technical education, qualifications and skills required for the carrying out of the audit work, these need high education level, substantial accounting experience, ability to use procedures in an appropriate manner considering the computerized work system and also participation in continuing education programs. The competence of auditors and the quality of the audit process, as well as the attitude and behavior in providing audit services have an impact on global socio-economic stability.

In ensuring the quality of the information contained in the financial statements, the role of the auditor is to express his opinion on the compliance of the statements, in all material respects, with a financial reporting framework [8 § 3]. For this opinion to be credible, the auditor must formulate it in accordance with the requirements of professional competence and ethical conduct. Professional competence is required throughout the mission and leads to the issuance of the opinion based on the obtained audit evidence, guaranteed by the independence and the objectivity of the auditor.

As it is considered that there is a direct and interdependent link between the level of general and specific training of the auditor and the quality of an audit, the International Accounting Education Standards Board (IAESB) has been established as a regulatory body. In addition, in order to ensure the transparency of the developing process of International Education Standards (IESs) - in number of 8 - which describe the necessary technical competencies, professional skills, values, ethical aspects and attitudes, practical experience in this field has been established and Public Interest Oversight Board (PIOB).

At its June 2019 meeting, the IAESB approved revisions to HEIs 2, 3, 4 and 8, which improve the educational objectives of information and communication technology (ICT) and professional skepticism and clarify the accompanying explanatory materials, where appropriate. Specifically, the draft revision addressed the following: (i) reviewing and complementing existing educational objectives related to ICT and professional skepticism; (ii) the inclusion of new explanatory materials or the clarification of the existing ones, where appropriate; (iii) revising and supplementing with new definitions and explanations of the relevant terms used in the Glossary of Terms. Instead, any substantial changes in the structure and / or content of standards that do not affect the areas of ICT and professional skepticism have been considered outside the scope of this draft revision. The changes were subject to public consultation for 90 days and the respondents' comments were analyzed and deliberated by the IAESB in finalizing these documents. Approved changes to the Glossary of Terms and revised IES 2, 3, 4, 7 and 8 have been incorporated into the section on Changes to IES from 2021 [6].

In addition, the IAESB has published supporting materials for the implementation of IES 1, Provisions on Access to Accounting Education Programs (2014) and IES 8, Professional Competence for Mission Partners Responsible for Financial Statement Audits (2016). In addition, the IAESB has developed supporting materials for the implementation of IES 7, Continuing Professional Development (CPD) (2020) and supporting materials for the implementation of IES 7, which include General CPD frameworks, Relevant CPD volume and Examples of quantification tests.

Thus, in the light of the IESs provisions, professional competence represents the ability to fulfill a role according to a defined standard. Professional competence transcends knowledge of principles, standards, concepts, facts and procedures. It represents the integration and application of (a) technical skills, (b) professional skills and (c) professional values, ethics and attitudes [6, § 18, p. 11].

The authors analyzed these standards and found the main requirements defined by IESs, as shown in Figure 1. They start from the definition of educational requirements for access to accounting professional education programs (IES 1) and then describe the technical skills (IES 2), the professional skills (IES 3) and professional values, ethics and professional attitudes (IES 4), respectively the practical experience (IES 5) necessary to be acquired within an initial professional development program. IES 6 sets out the modalities for assessing the professional competence that candidates for the title of professional accountant must demonstrate by the end of the initial professional development and IES 7 presents the content of continuous professional development. IES 8 has a specific addressability, in the sense that it deals with issues related to professional competence for the mission partners responsible for auditing the financial statements.

The generalized information in Figure 2 allows us to find that the first six standards refer to the acquisition of professional competence, through the initial professional development program (IPR), while the following standards refer to its development and maintenance, through the CPD program. The last standard (IES 8) deals exclusively with the competence of the mission collaborate that is responsible for auditing the financial statements, which means that the auditor's high level of professional training is deduced, but it must be maintained and developed.

We would like to mention that the role of professional accounting organizations is to facilitate the continuous opportunities for professional development for its members and to maintain their professional competence. The annual program of continuous professional training is based on the proposals of the participants and the new legislative and normative trends in the financial-accounting field. Continuing professional training is mandatory for all members and consists of 40 hours per year.

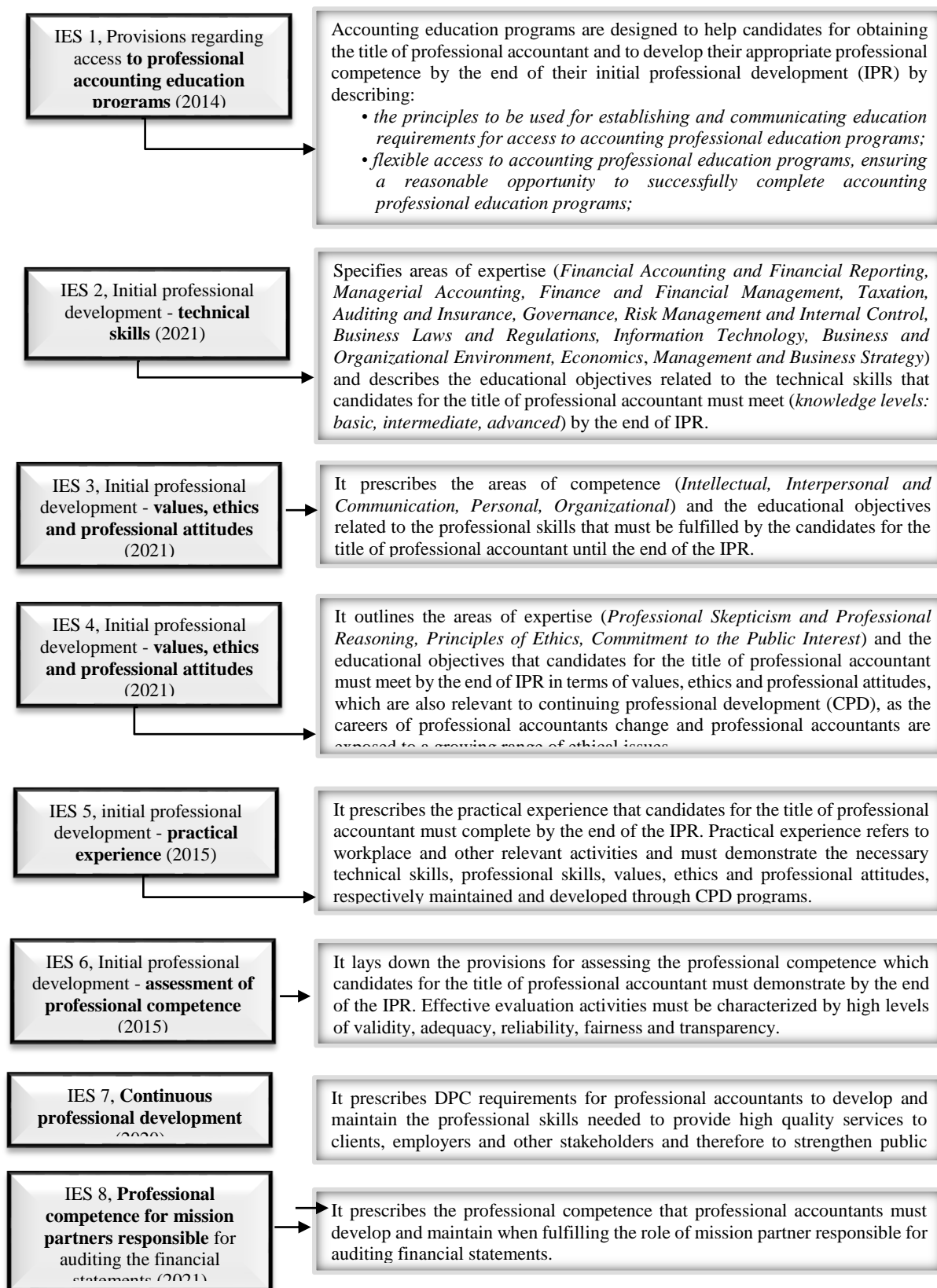
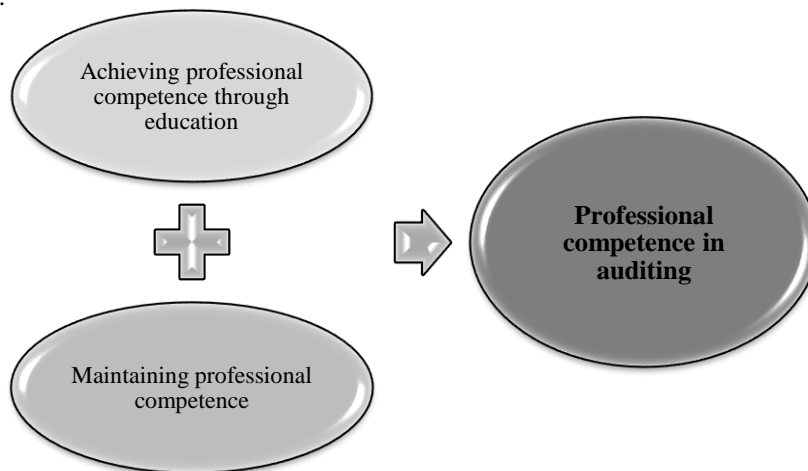


Figure 2. Requirements defined by IES regarding education and training in auditing

Source: developed by the author based on the provisions of IES [6]

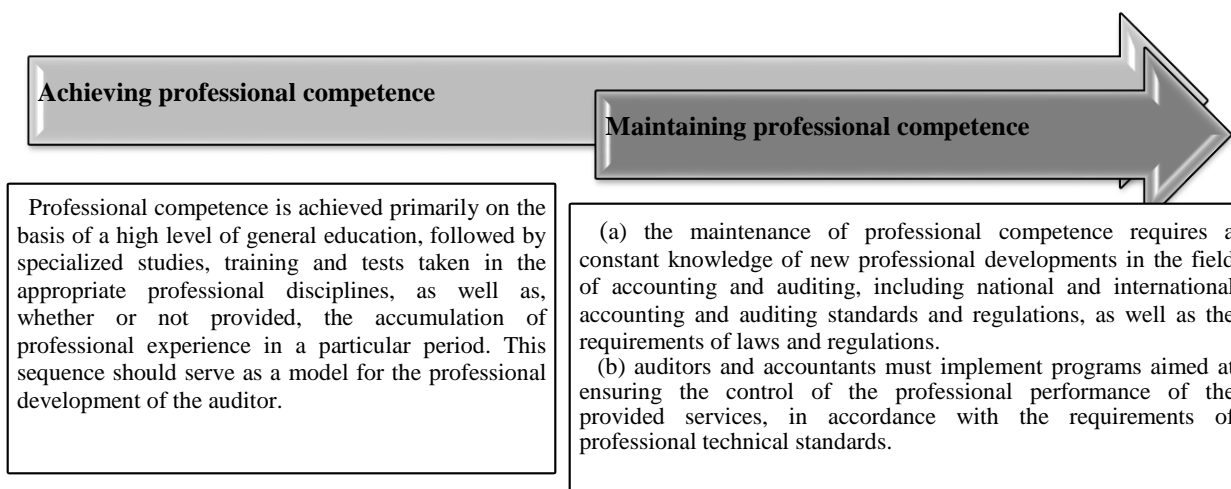
Based on the provisions of the International Education Standards, professional competence can be divided into two distinct stages:



**Figure 3. Stages of developing professional competence in audit**

Source: developed by authors based on IES [6]

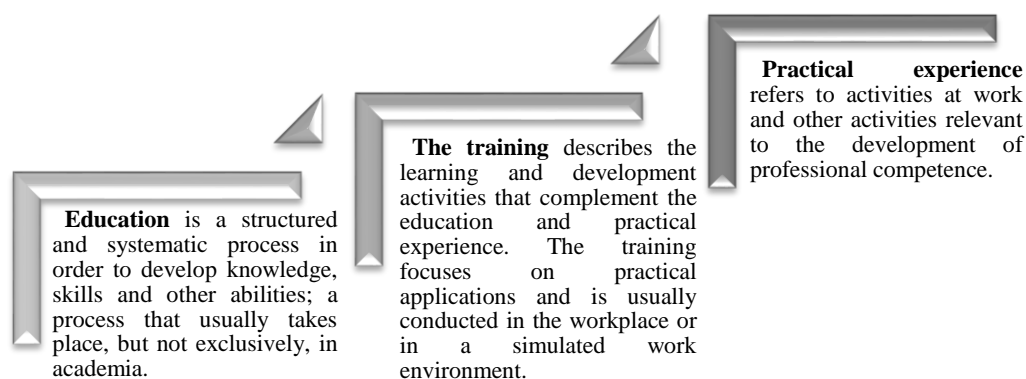
For the purposes of HEIs, the IAESB defines an auditor as a person who obtains, demonstrates and continues to develop professional competence to fulfill a role in the auditing profession and who is required to comply with a code of ethics, in accordance with the provisions of a professional organization, accounting officer or a licensing authority [6, General Framework, point 12, p. 10].



**Figure 4. Significance of the stages of development of professional competence in audit**

Source: developed by authors based on IES [6]

Professional competence throughout the career is a continuous process of developing and maintaining the auditor, which progresses through learning and development. The IAESB defines the main types of learning and development as follows:



**Figure 5. Obtaining professional competence in auditing**

Source: prepared by authors based on IES [6, General Framework, points 24-26, p. 12]

During the early stages of professional development, more emphasis can be placed on education, including accounting vocational education, than in later stages of learning and development. During continuing professional development, the balance can be more inclined towards learning and development through training and practical experience. Some activities, such as on-the-job training, may be quantifiable, but may not be verifiable. These activities also contribute to the development and maintenance of professional competence. Practical experience that gives people the opportunity to develop their professional competence in the workplace is part of continuous professional development. As the career of a professional accountant progresses, the focus tends to shift from structured learning activities to hands-on experience and informal learning.

The auditor must be professionally competent to perform the audit mission and to have the necessary skills and knowledge to do it. As the field is characterized by a strong dynamic, the auditor must maintain his competence through continuing education and training, in order to develop and maintain his skills to carry out a competent activity in the professional environment.

All these rules, established by legal norms and professional standards, aim at ensuring a high quality level of the audit missions of the financial statements. In this context, we can say that the first conditions for a quality audit are the acquisition, maintenance and development of professional competence, as well as compliance with the legislation and professional rules applicable to auditors of financial statements. A low level of professional knowledge is negatively associated with the level of audit quality, in the study conducted by Brown et al. (too many) other activities (Brown, Gissel and Neely, 2016).

Quality in auditing is not only ensured by rules, but there are a multitude of factors that can influence the way audits are performed by auditors from different entities and even from the same entity. In addition, quality in auditing is complicated and expensive to assess by both professional organizations and audit beneficiaries. This process is characterized by the fact that auditors or audit entities may provide qualitatively different services to their clients, but also by the fact that an auditor or audit entity may provide different quality services from time to time to the same clients. In this context, inadequate professional judgment may be considered an essential element that could affect the quality of an audit engagement.

Therefore, improving the quality of auditing should also be a constant concern of managers of audit entities who should emphasize the importance for their entities of the employee training programs. It can be assumed that a very good professional training will allow the auditors to achieve qualitative professional reasoning at all stages of the audit process. Thus, at the level of audit entities, there may be greater flexibility in organizing training programs specific to the needs of employees, taking into account the obligations imposed by the International Standard on Quality Control.

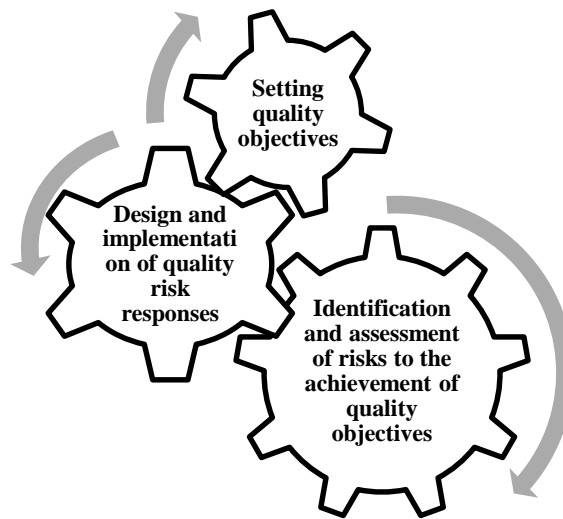
In this regard, we note that according to the information published on the website of the IAASB (International Auditing and Assurance Standards Board) on 15<sup>th</sup> December 2022, audit entities must implement a quality

management system based on the provisions of: ISQM 1 “Quality management for companies that perform audits or reviews of financial statements or other assurance or related service assignments” [4]:

- ISQM 2 "Mission Quality Review" [9];
- ISA 220 (revised) [8].

ISQM 1 is an enhanced version of the ISQC 1 standard and it deals with an entity's responsibilities for the design, implementation and operation of a quality management system for audits, reviews of financial statements or other related assurance or service assignments in an interconnected and coordinated manner, so that the entity proactively manages the quality of the tasks it performs [4]. "The application of ISQM 1 will generate benefits for the quality of commitment, supporting the proper exercise of professional skepticism at the commitment level" (Iachimovschi & Grumeza, 2021).

In this context, the risk-based approach to quality is integrated into the provisions of ISQM 1 through the following phases, as shown in Figure 6:



**Figure 6. Risk-based quality approach in the ISQM vision 1**

Source: prepared by the author based on the provisions of ISQM 1 [4]

The quality objectives set by the entity consist of those related to the components of the quality management system that must be met by the entity. Thus, it needs to identify and assess the risks to quality in order to provide a basis for the design and implementation of responses. In this context, the nature, timing and extent of the entity's responses to quality risk management will be based on the reasons for the risk assessment and its sensitivity to quality.

In our opinion, quality is a strategic tool of any entity, which entails excellence and performance. Thus, quality becomes the unconditional goal of audit entities, as it combines both the provision and compliance with rules, laws and standards and the provision of high quality services to customers, employers and other stakeholders and therefore to increase user confidence in the audited financial statements.

In our opinion, quality is conceived as a strategy, because it unquestionably designates a condition for achieving performance in several areas, namely: professional development of auditors and reduction of non-quality costs; improving the commercial image of the audit services and the audit entity; increase the overall productivity of the audit entity by approving and complying with policies and procedures designed to provide reasonable assurance that the financial statements, taken as a whole, are free from material misstatement, whether as a result of fraud or error; developing new ways to motivate audit staff.



#### IV. CONCLUSION

In order to carry out a qualitative audit, the auditor must have a high level of professional knowledge and skills and has to be able to assimilate the ethical behavior required by professional norms. Last but not least, there is a need for ongoing awareness that moral values are what enable the auditor to withstand pressure and resolve those tasks that involve conflicting issues without adversely affecting their professional decisions. The requirement for auditors to take responsibility in order to express a reasoned opinion on the true, clear and complete picture of the audited entity's financial position and performance under conditions of professional competence is obvious.

As a result of the research on audit regulations, a more in-depth definition of the concept of professional competence has been proposed - the auditor's ability to express an opinion on the extent to which the audited financial statements are prepared in all material respects in accordance with the general reporting framework. financial, thanks to a continuous process, throughout life, of development and maintenance of professionalism.

As auditors have the responsibility to ensure quality in auditing and to comply with the provisions of the regulatory framework in force, their maintenance and development can be achieved through the implementation of a quality management system consisting of policies and procedures to achieve the entity's objectives. reasonable assurance of the quality of audit work, which requires continuous monitoring and improvement.

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