

Management Aspects of the Quality of Auditing Services Through the Prism of Philosophical and Economic Concepts

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Abstract: Currently, the problems that arise in the audit activity not only in individual countries, but also in the world as a whole, are of an institutional nature and are associated with the inefficiency of the functioning of the audit institution as a whole. The most important function of the audit institution is to establish the quality of published financial information of socially significant economic entities, and one of the possible dysfunctions is to confirm poor-quality financial information on the performance of such economic entities. The elimination and prevention of this dysfunction in the future is possible only with the introduction of an effective mechanism for ensuring the quality of the audit. In this paper, the authors reveal some aspects of quality, as one of the most ancient categories, through the prism of philosophical and economic concepts.

Keywords: need; quality management; financial information quality; quality level

JEL: P40; Z10

Introduction

The most important function of the audit institution is to establish the quality of published financial information of socially significant economic entities, and one of the possible dysfunctions is to confirm poor-quality financial information on the performance of such economic entities. The elimination and prevention of this dysfunction in the future is possible only with the introduction of an effective mechanism for ensuring the quality of the audit. A high-quality audit helps reduce information risks and ensure confidence not only in the auditor's professional opinion on the reliability of financial information, but also trust among members of the economic community Moldovan (Moldovan & Balan, 2021, pp. 142-149). The most important tool for ensuring the quality of the work of auditors is effective control of the quality of audit services.

The international practice of ensuring the quality of audit services lies in the consistent work of the International Federation of Accountants and the International Auditing and Assurance Standards

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Board IFAC (International Standard on Quality Management) to organize. In addition, implement quality control of audit work at the level of professional audit associations and at the intra-company level to develop and improve the provisions and standards for quality control of audit services for use all over the world. In the European space, the 8th Directive of the European Commission adopted by the European Union regulates such issues of audit quality control as the creation of a quality assurance system, the development of principles for supervision by state and professional regulatory bodies, and the organization of quality control of the work of auditors of socially significant economic entities.

The universal research method of matter, phenomena and processes served as methodological support for investigations in the field, i.e. the dialectical method of knowledge with its inalienable components: analysis, synthesis, induction and deduction, as well as the methods inherent in economic disciplines: observation, comparison, selection and grouping. At the same time, starting from the specifics of the research theme, various theoretical concepts of scholars from the country and abroad, the fundamental conventions and basic principles of accounting and auditing, the provisions of international audit and quality standards, as well as other adjacent normative acts were used.

The lexical meaning of the word “quality” in its modern sense is as follows. According to the dictionary of the Russian language Ozhegov S.I., quality is “the presence of essential features, properties, features that distinguish one object or phenomenon from others” (249). In another literary source, quality is revealed as “an essential certainty of an object or process, acting in its properties and characterizing what a given object or process is under given conditions, in connection with and interacting with other given objects and processes” Balan (Balan, Graur & Iachim, 2021). To achieve clarity and completeness of understanding of this category, we propose to consider it from the following positions: philosophical and economic.

Quality is one of the most ancient categories. Qualitative ideas arose long before the category of quality was formed and became the subject of philosophical analysis. The very first prerequisite for the formation of an idea of the qualitative certainty of phenomena and properties inherent in the consciousness of primitive society was the development of human practical activity. Objects that fell into the sphere of practical activity and were able to satisfy the needs of a person acquired in his mind a certain quality or property of satisfying emerging urgent needs. Later, people intuitively used the judgment of quality or quality as a sign that distinguishes one thing from another. Thus, in its evolution in primitive thinking, the concept of “quality” went from its identification with the property of a phenomenon to the idea of a person about the qualitative certainty of a phenomenon.

In the process of development of the processes of the historical movement of thought about the world and man, the concept of quality acquired a conceptual character in a philosophical meaning. The understanding of the word “quality” in its philosophical meaning essentially became the basis of its usual lexical meaning. So, according to the new encyclopedic dictionary, quality is “a philosophical category that expresses the essential certainty of an object, thanks to which it is precisely this and not another” (New Encyclopedic Dictionary 495). The general systemic philosophical interpretation of quality is given in the philosophical encyclopedic dictionary, according to which quality is “a philosophical category that expresses its essential certainty, inseparable from the being of an object, due to which it is precisely this and not another. Quality reflects the stable relationship of the constituent elements of an object, shows its specificity, which makes it possible to distinguish one object from another. It is thanks to the quality that each object exists and is thought of as something delimited from other objects. At the same time, the quality also expresses the general thing that characterizes the entire class of homogeneous objects” Gubsky (Gubsky, 2009).

Such an understanding of quality has developed as a result of the generalization of the practice of scientific knowledge and life, which is also reflected in other philosophical categories. For example, at the beginning of the development of philosophical thought, Thales (about 625 - 547 BC), Anaximenes (about 585 - 525 BC) and Heraclitus of Ephesus (about 520 - 460 BC) (VII-VI century BC) interpreted the concept of “quality” as understanding the world from the side of its qualitative certainty. The beginning of all things is a certain substance that is present in everything unchanged: the water of Thales, the fire of Heraclitus, the air of Anaximenes Obukhov 65 (Obukhov, 2009). Then Anaxagoras (about 500 - 428 BC). Talking about quality, he wrote that “all things consist of an infinite number of seeds (homeometries). Seeds have invariable qualities and do not lose them in any mixture: they are eternal, unlimited, infinitely divisible. The predominance of one over the other determines the qualitative certainty of the thing. Qualities do not change depending on quantitative ratios” (Obukhov, 2009, p. 69).

The decisive role in the philosophical understanding of quality belongs to Aristotle and Hegel, who developed the idea of quality as a scientific category. In historical and modern philosophical studies, there are different approaches to the disclosure of the category of quality, but, in general, their essence can be reduced to the following provisions. Quality is such a certainty of the existence of a given thing that is inseparable from the thing itself and is characteristic of it, in contrast from other things, i.e. that which distinguishes one thing from another.

Qualitative certainty is such a certainty of an object, in which its difference from other objects is established by means of its inherent qualities (features, aspects, characteristics). An object cannot be imagined without qualitative features. If qualitative certainty is established through some feature, then with the change (disappearance) of this feature, the object ceases to be what it is.

Therefore, from a philosophical point of view, quality as a scientific category includes a number of ideas about quality that have historically developed in the worldview of a person and expresses:

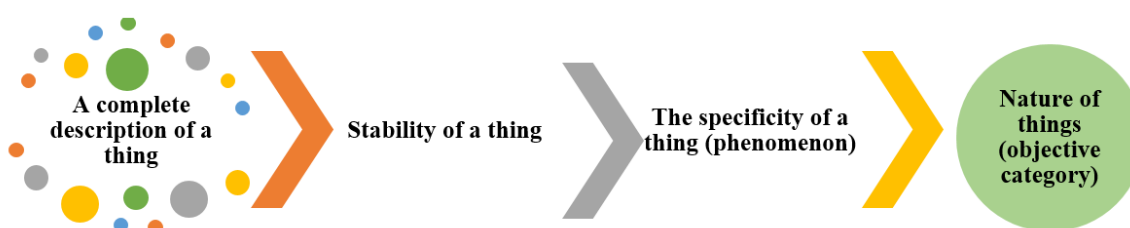


Figure 1. Expressing the Scientific Category of Quality from a Philosophical Point of View

1. A complete description of a thing. Quality is what binds all properties together, which expresses the integrity of a thing. Quality, characterizing a thing as an integral system, expresses the unity of its elements and structure, the unity of internal and external properties. In this case, a thing is understood as a relatively integral and stable material system, which includes the interaction of its elements with each other and the interaction of this system with other systems or the unity of elements, characterized by internal and external interaction of these elements. The property expresses some one side of a single whole. Properties of a thing, manifested by the interaction of elements (things, objects): act as a reflection of both a thing and its elements and characterize a thing from the side of not only internal. But also external content and are an expression of one or another specificity of a thing, only its

qualitative certainty (processes, phenomenon) through the unity of elements and structure, have variability (dynamicity) and unity, there are both general and specific;

2. Stability of a thing. The moment of stability of the quality of a thing is also determined by the unity of external and internal properties;

3. The specificity of a thing (phenomenon). The qualitative specificity of a thing is defined as a specific set of properties. Certainty presupposes the existence of specific elements and their connections (internal and external). Quality in this case will indicate that the data belongs to the thing, and not other elements and relationships. Quality is a necessary condition for the identification of a thing;

4. Nature of things (objective category).

The category of quality in the philosophical, dialectical-materialistic understanding means the internal need of an object, its ability to be what it is, in contrast to other objects or phenomena of reality. With regard to both material and non-material good, such an initial ability characterizing quality is the ability to satisfy a certain human need.

Considering quality as an economic category, it should be noted that all decisions in the field of quality are associated with economic costs and make sense only if they lead to an economic effect. This thesis reflects the position of economic entities, the need for economic regulation of the quality of products, goods, works and services.

In economic dictionaries, the meaning of the term “quality” is revealed as follows: in the Dictionary of Modern Economic and Legal Terms - as “a set of useful properties that allow satisfying certain material or spiritual needs ...” Shimova (Shimova & Kamenkov, 2002). In the Explanatory Dictionary of Auditing, Tax and Budget Terms - as “a set of objectively existing properties, signs, characteristics of labor, work, goods, services, the level of which is determined by indicators that determine the consumer value of products. Quality is determined by the measure of compliance of products with the conditions and requirements of standards, agreements, contracts, consumer requests” Sychev (Sychev, 2003). Similar meanings of the term are given in the Big Economic Dictionary: “quality is a set of properties, features of products, goods, services, works, labor, which determine their ability to satisfy the needs and demands of people, meet their purpose and requirements. Quality is determined by the measure of compliance of goods, works, services with the conditions and requirements of standards, agreements, contracts, consumer requests. Distinguish between the quality of products, work, labor, materials, goods, services” Borisov (Borisov, 2006); Modern Economic Dictionary Raisberg (Raisberg, Lozovsky & Starodubtseva, 2023); Dictionary - reference book of the auditor Goloshchapov (Goloshchapov, 2000) and the Universal Business Dictionary Lozovsky (Lozovsky, Raizberg, & Ratnovsky, 1999). A description of the term from a technical and economic point of view is given in the economic encyclopedia “quality is a set of properties of a product (service) that determine its suitability for intended use by the consumer. Quality is determined by indicators that characterize technical and economic properties... Quality is assessed depending on the stage of the life cycle... Properties that determine quality can be absolute, relative or specific and are measured subjectively, objectively or expertly... Quality is ensured by technical and organizational methods. Quality indicators, the procedure for their verification and certification of compliance with the agreed requirements are reflected in the sales contract concluded between the seller (manufacturer) and the buyer (user). Quality can be certified by a quality certificate issued by the manufacturer or exporter” Abalkin (Abalkin, 1999).

The given meanings of the term “quality” are determined by the subject of economic science, which is understood as “the study of the behavior of people and groups in the production, distribution, exchange and consumption of material goods in order to meet needs with limited resources” Bychkova (Bychkova & Itygilova, 2014). In general, in economic research in the field of quality, economists interpret quality based on the following main fundamental categories:

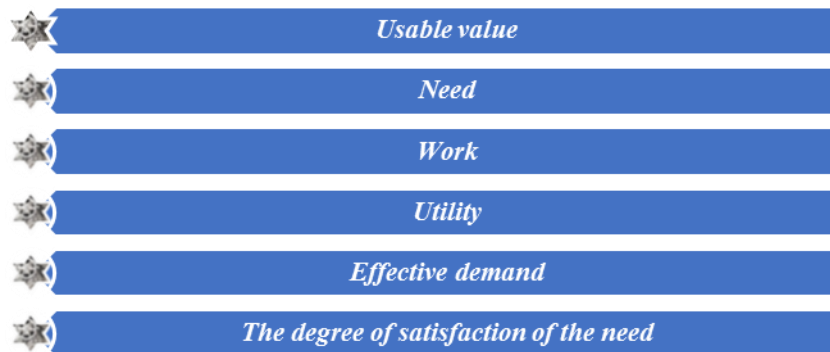


Figure 2. The Main Fundamental Categories of Interpretation of Quality from an Economic Point of View

Usable value – a set of useful properties that make up the subject of human consumption. Any thing, service becomes a use value only on the condition that they are able to satisfy the need Lvov (Lvov, Sedov & Siskov, 1975). “A commodity is, first of all, an external object, a thing that, thanks to its properties, satisfies any needs”, “Where the need for any particular use-value ceases, the product ceases to be a use-value. The demand for it is measured as a use value of a product” (according to the source 7). Both a single use value and a social use value are distinguished as a set of items and services similar in purpose, and a set of different use values (Lvov, Sedov & Siskov, 1975, p. 8).

Need – the need for any commodities. The need must be satisfied in terms of quality, that is, a correspondence has been achieved between the quality of the manufactured product and the social need for it. At the same time, quality is an indicator of the efficiency of social production Lapusta (Lapusta & Shvandar, 1989)

Work – is the process of materializing a need and its embodiment in the useful properties of a product (Rawls 16).

Utility – the subjective feeling of the individual consumer of the degree of saturation of their needs. In addition, utility should be understood as “the degree of preference for goods and services by the consumer” Samuelson (Samuelson & Nordhaus, 1989) or “satisfaction or pleasure received by the consumer from the consumption of a product or service (or from the consumption of a set of goods and services)” Harrington (Harrington, 1990). It is also necessary to distinguish between the concepts of “quality” and “utility”, since utility is initially contained in the quality of a product (service) and is a property of the consumer. Reflecting the degree of his satisfaction with the product (service), and quality is a set of properties of the product (service), which determines the ability to meet people’s needs.

Effective demand – means that the need and quality under the conditions of commodity-money relations are associated with a solvable need, or effective demand, arising on the market Salimova (Salimova, 2005).

The degree of satisfaction of the need – acts as an indicator of work on quality management Lapusta (Lapusta & Shvandar, 1989). The need to measure quality, to establish its measure, led to the

emergence of an interpretation of quality as the degree of consumer satisfaction, and therefore, in most cases. In the economic literature, the concept of quality is usually associated with a measure or the degree to which a product of labor is able to satisfy a specific social or personal need. Product quality is a complex technical, economic and social category ... characterizing the ability of products to satisfy these needs to the fullest possible extent with minimal labor and funds spent on its creation and application Balan (Balan, 2022). The amount of audit evidence required is affected by ... the quality of that audit evidence” Balan (Balan & Frecăuțeanu, 2008). Quality reflects the degree of utility in which the product of labor is able to satisfy a particular need Glichev (Glichev, 2001).

Quality, therefore, in the economic sense of this category has a dual essence. On the one hand, this is a set of objectively existing properties and characteristics, the level of which is determined by indicators that determine the consumer value of products, on the other hand, the consumer’s subjective idea of the product.

The desire of economic entities to increase production efficiency, reduce production costs and increase market share forces them to develop economically correct behavior in a market economy. The priority direction in managing the activities of an enterprise today is to improve the quality of performance results, and, as a result, the quality of goods, products, works and services, because “quality is a measure of the usefulness of the result of any work” (Harrington 9). The basis of this direction is the knowledge of the consumer, the personnel of the organization and its features, and the goal is to satisfy consumer needs. This idea of quality is reflected in the concept of quality management.

The idea of quality as a management category has evolved from a narrow understanding of quality as a set of product properties that correspond to specified (technical) characteristics, to a modern interpretation as the degree of compliance of a set of inherent characteristics with requirements (needs and expectations). Thus, the quality of a product (service), in a broad sense, implies its usefulness and includes two components: a set of properties and characteristics of a product (service) and satisfaction of the needs and expectations (ideas of quality) of the consumer of this product (service).

Quality as a category of management has been further developed in the process of standardizing approaches to quality management. The concept of quality management defines quality from the point of view of the modern philosophy of quality, which is associated with the introduction of the methodology of general quality management in production processes, the sphere of management of the activities of economic entities. Modern quality requirements at the international level are defined by ISO standards. These standards regulate clear requirements for quality assurance systems related to production processes, the scope of management, relations between producers and consumers of products and are strictly consumer-oriented with strict observance of the production culture. The current ISO 9000 series of standards provides guidance on the implementation and maintenance of effective quality management systems for organizations of all types and sizes that strive to ensure that their products and services meet customer requirements and quality is constantly improved. In particular, ISO 9000:2015 contains a description of the main provisions and terminology of quality management systems, ISO 9001:2015 establishes the requirements for a quality management system and is aimed at improving customer satisfaction. ISO 9004:2018 provides guidance for improving the effectiveness and efficiency of a quality management system and for the systematic and continuous improvement of an organization’s overall performance, as well as for improving customer and other interested party satisfaction based on their needs and expectations. According to ISO 9000:2015, quality consists of the following concepts:

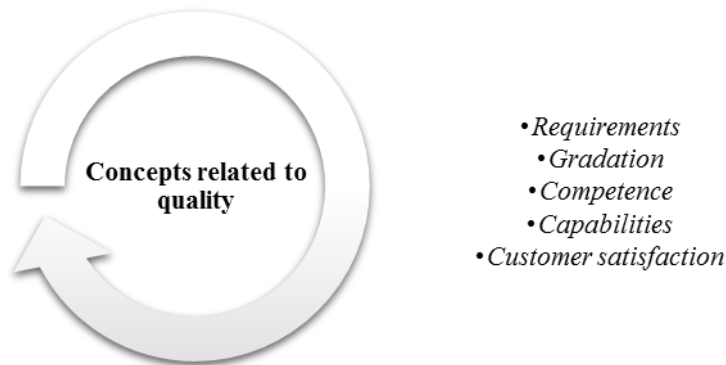


Figure 3. Concepts Related to Quality

It should be noted that the terminology of the ISO 9000 series applies equally to both products and services. Customer satisfaction comes to the fore and is one of the most important criteria for the quality of products (services). In turn, suppliers of products or services should be focused on meeting these requirements, which is the fundamental principle of quality management “customer orientation”. The effectiveness of the organization and the quality of products (services) depends on the systematic management of relations between the manufacturer (supplier) and the consumer: “quality is an objectively existing category, but it does not exist as something absolute outside of time and space, but only when the manufacturer interacts with the consumer, and products (services) are actively involved in this interaction, the quality of which arises and is realized as this process develops” Shper (Shper, 2002). A significant stage in the development of quality management systems is the application of the concept of interested parties Freeman (Freeman, 2010), as a result of which the principle of customer orientation began to imply that the organization should provide an approach to satisfy not only the needs of customers, but also other interested parties of the organization.

The customer, in the context of quality management, is seen as a stakeholder of the organization, although, like society, he is not explicitly committed to the organization. However, “it is not enough to consider only the exchange of values for money. The relationship “supplier-consumer” should be based on the present and future needs of society” Gorbashko (Gorbashko, 2023). This thesis largely means that the organization’s efforts to maintain a balance of power between stakeholders, create values or benefits that meet their needs and expectations, will not only implement the principle of customer orientation, but also achieve sustainable success of the organization.

Conclusions

Summarizing the above, we can draw the following conclusions:

- 1) the quality of an economic good is determined by the interaction of an economic entity and its stakeholders;
- 2) the central relation of the category of quality is the good in its qualitative certainty and the need of subjects from among the interested parties in this particular good, that is, the fundamental correspondence of the purpose of the good produced by the economic subject to the needs of the interested parties;

3) the quality of the economic good is determined by the requirements of the stakeholders of the economic entity and its ability to meet the relevant requirements;

4) the level of quality of the economic good, and, accordingly, the satisfaction of the parties interested in the good depends on the degree of fulfillment by the economic entity of two groups of quality requirements: *requirements that must be observed* (they are set by the subjects from among the interested parties that regulate the activities of the economic entity). *Needs and expectations of stakeholders of the economic entity, including direct consumers of the good*; the ability of an economic entity to provide the necessary and sufficient level of quality of the supplied good.

Thus, the concept of “quality” in its evolution has gone from a primitive differentiation of objects into “good-bad” through a philosophical approach of certainty identical with being, when something ceases to be what it is, if it loses its quality. To the concept of achieving sustainable success organization based on quality management, according to which quality is understood as a means of meeting the needs and expectations of interested parties, including audit services.

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