

FEATURES OF PLANNING THE AUDIT OF FINANCIAL STATEMENTS

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Abstract. The quality of the financial statement audit depends on its careful planning. This article highlights the aspects that should be taken into account when planning an audit of financial statements.

Key words: audit of financial statements, international standards of auditing, audit planning, audit plan, audit program, level of significance, audit risk.

INTRODUCTION

Increasing the effectiveness of the management system in joint-stock companies, taking into account international requirements for the rapid development of investment activity in our country, the full introduction of corporate governance principles, as well as ensuring their broad participation in investment processes and the implementation of structural changes in the economy is one of the urgent issues today. As a result of the development of corporate management, it is necessary to effectively organize the financial and economic activities of joint-stock companies and to improve the provision of professional auditing services to them. Smart audit management is one of the most important components of controlling the audit process. It is necessary to organize the audit planning stage based on international standards for the correct implementation of auditors' work process. This, in turn, serves to conduct a qualitative and effective audit.

LITERATURE REVIEW

Audit planning issues are reflected in international standards and works of economists.

According to ISA No. 300 entitled "Planning an audit of financial statements", "audit planning involves determining the overall audit strategy for the audit engagement and developing an audit plan" [1].

Economist Lal Balkaran said that “audit planning process should be carried out qualitatively. If the audit plan is not carefully planned and implemented, it will lead to the formation of poor quality audit conclusions, which may cause unprecedented damage to the reputation of the audit organization” [2].

According to Jordanian economists, “audit planning is a fundamental basis in the implementation of the audit process, because the auditor must develop plans and strategies to prevent possible problems. The audit plan should include directions for early detection and elimination of problems, regardless of their scope and complexity” [3].

A group of economists said that “the audit plan is important for the auditor to make a correct and honest assessment of the organization's activity and to complete the audit tasks in forming an impartial auditor's conclusion. However, the effective performance of this task requires detailed planning of the audit” [4].

According to some economists, “the process of auditing financial statements is divided into several stages, including planning, conducting audits and drawing conclusions. Audit planning is the most important process, because this process ensures the effectiveness of the audit” [5].

As can be seen from the points mentioned above, in most cases attention is paid to the nature of audit planning and its role in improving the quality of audit work. However, in the process of planning the audit, the issues of evaluating the internal control system, gathering evidence and forming the audit conclusion have not been thoroughly studied.

ANALYSIS AND RESULTS

In order for any type of activity, especially audit activity, to be effective, it is first necessary to draw up a thorough and clear plan and program. The content of the audit results from the set goal and the specific tasks set for its implementation.

In planning the financial statement audit, ISA No. 200 entitled “Overall objectives of the independent auditor and the conduct of an audit in accordance with international standards on auditing”, ISA No. 230 entitled “Audit documentation”, ISA No. 300 entitled “Planning an audit of financial statements”, risks of material misstatement it is necessary to comply with the requirements of ISA No. 315 and other standards entitled “Identifying and assessing the risks of material misstatement”. These standards are derived from the requirements, and their adherence plays an important role in improving the quality of audit work.

Audit planning helps to increase the efficiency of audit and achieve the set goal based on a certain system. In addition, when planning an audit, it is required to pay attention to the principles of comprehensiveness, continuity, acceptability, as recommended by international standards.

It should be noted that when the audit has been going on for a long time, the auditor can make necessary adjustments to the plan and program, taking into account the changes in the financial and economic activity of the client and the legislation. When planning an audit, the auditor should determine the sequence of audit stages, specific sources for gathering evidence, and audit risk.

Inspections conducted on the basis of the audit plan and program must be summarized and documented in a certain order. These documents, in turn, serve as the basis for drawing up audit conclusions.

After drawing up the general plan of the audit, it is necessary to form the audit program, in which a detailed list of all audit actions should be given. The audit program is a detailed instruction for auditors, in which it is necessary to check all objects of accounting that should be checked, as well as to evaluate the effectiveness of the internal control system. Creating an audit program should not be done superficially, because it serves as an effective control lever in the work of auditors, and reports on each section of the program should serve as a basis for creating an audit conclusion.

Conducting quality audits provides an opportunity for the auditor to achieve certain advantages (Figure 1).

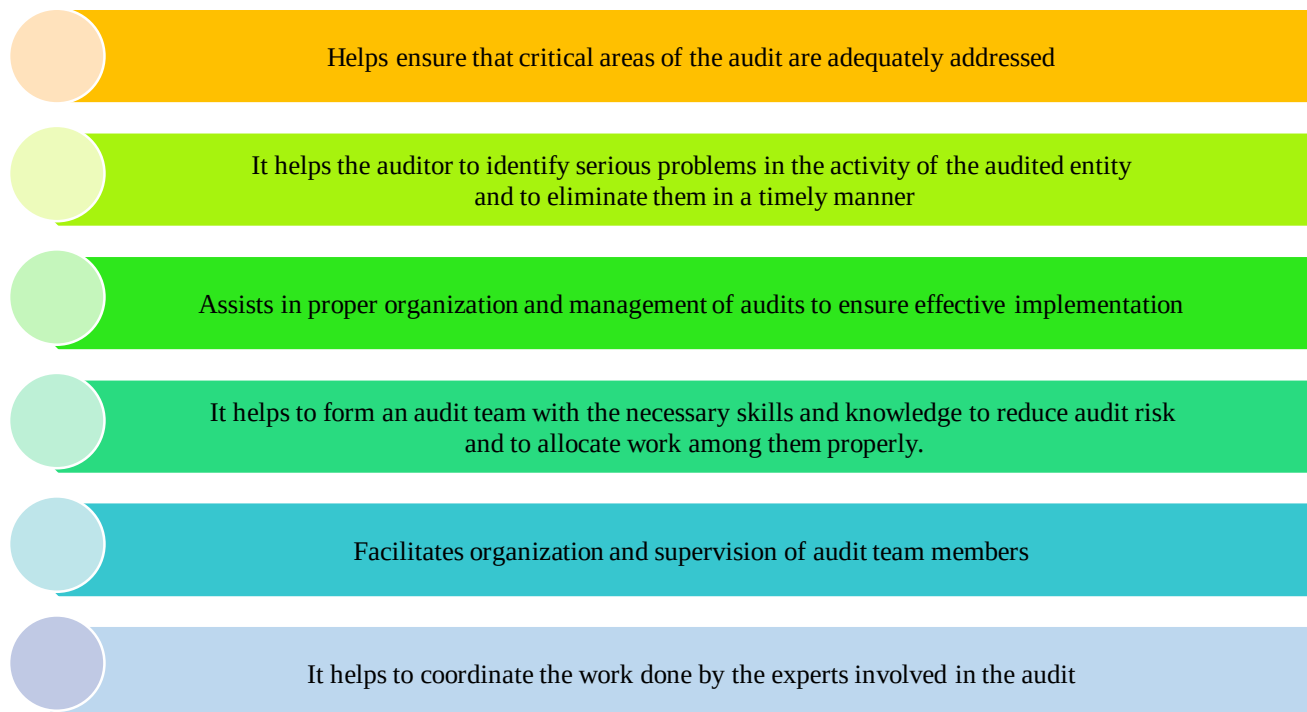


Figure 1. Advantages of quality audit planning¹

In our opinion, the planning of the audit must create an opportunity to obtain the necessary information about the state of accounting work and the effectiveness of the internal control system, as well as to determine the content, time and scope of the control actions to be performed.

Planning an audit includes creating a plan of expected work and developing an audit program. In the expected work plan, it is necessary to specify the audit period and duration of work, the volume of work to be performed, and the methods and actions used by the auditor.

Auditors should prepare work documents that confirm the volume and quality of work performed during the audit, which are considered to be the main documents. These documents are drawn up in an optional form, and they should reflect the necessary information about the client, a detailed description of the work to be performed. The method of inspection of the audit work documents, the scope of the inspection, the deficiencies identified as a result of the inspection, the list of preliminary and other documents not submitted to the inspection, the cases of non-compliance with the current legislation, the auditor's opinions on the directions for eliminating the identified deficiencies, other recommendations aimed at improving the financial and economic activities of the economic entity should be shown.

The audit working documents should confirm that the audit is carefully planned, the reliability of the collected data, and the compliance of the audit conclusion with the results of the audit. If necessary, the auditor should also assess whether the evidence has been sufficiently collected in the preparation of the audit opinion.

CONCLUSION

1. The main purpose of the audit is to form an impartial and reliable audit opinion. The formation of an auditor's opinion depends on the results of a thorough examination. For the effective organization of audits, first of all, it is necessary to pay special attention to the planning process. Planning is the first stage of the audit, and at this stage, the auditor needs a high level of knowledge and a sharp mind to create a general plan and program of the audit.

2. At the stage of planning the audit, in particular, it is necessary to have an idea about the financial condition and future of the client's business and the organization of internal control. To achieve this goal, a survey can be conducted among the management of the enterprise. Based on the analysis of

¹ Made by author.

the responses to the request, the auditor forms a clear opinion on certain aspects that are confirmed or not confirmed as a result of the audit actions performed later in the inspection process.

3. In order to simplify the planning of the audit of financial statements, it is desirable to develop a model audit plan suitable for the inspection of most enterprises. When planning an audit, the detailed structure of the audit program serves to optimize the time and costs spent on the audit, as well as to increase the quality of the audit work.

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