

Міністерство освіти і науки України

Національний університет харчових технологій

**80 МІЖНАРОДНА НАУКОВА
КОНФЕРЕНЦІЯ
МОЛОДИХ УЧЕНИХ,
АСПІРАНТІВ І СТУДЕНТІВ**

*“Наукові здобутки молоді –
вирішенню проблем харчування людства
у XXI столітті”*

Частина 4

10–11 квітня 2014 р.

Київ НУХТ 2014

66. Main problems of auditing in Ukraine

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Introduction: Among the factors of successful economic development of the modern state a big attention is paid to introduction of effective forms of independent financial control. Auditing belongs to this type of activity.

An audit is an independent examination of financial statements of business enterprises by authorized persons (auditors) to confirm its authenticity to tax authorities and owners.

The audit is intended to provide assistance to representatives of insurance companies, stock exchanges, joint stock companies, joint ventures, commercial banks, various foreign companies.

The object of audit - to promote efficiency, rational use of materials, labor and financial resources in business to maximize profits.

Resources and methods: The literature pays special attention to the development of audit in Ukraine. These issues were considered by many theorists and practitioners such as Redko O., Dorosh N., Davydov H., Bondar V. and others.

Results: Main tasks of auditing are:

- to audit financial statements, payments, returns and other documents to establish their authenticity and conformity of commercial and financial transactions with current legislation;
- detection and prevention (prophylaxis) of violations in financial and economic activity;
- evaluation of the effectiveness of internal control;

Practical audit is done in several ways, the most important of which are external independent audit (compulsory and initiative) and internal audit.

Compulsory audit includes examining committed to verify the accuracy and completeness of reporting banks, funds, exchanges and other businesses; ascertain the financial condition of the founders of the commercial banks, joint-stock companies, mutual funds, trust companies and other financial intermediaries, control of the issuers of securities, control of public enterprises during privatization, corporatization and other changes of ownership. The purpose of the compulsory audit is to provide public verifiability of these processes.

Initiative audit includes an audit of financial statements, financial analysis, economic and legal analysis of business plans, etc. One of the main objects of the internal audit is to monitor the condition and operation of the system of internal control. Internal audit is provided by internal audit service of a company that periodically checks and evaluates:

- management of economic and financial risks
- the adequacy and effectiveness of internal systems and processes
- compliance with the principles of internal accounting procedures
- completeness, timeliness and accuracy of financial and other reports

The main problems of modern professional audit are development and implementation of economic mechanism of audit that includes large penalties for bad-quality audits, audit liability insurance, the development of civilized competition in the market for audit services and so on.

Nowadays we do not have any adequate legislative base and experience of litigation against auditors, there is no methodology for assessing the amount of damage which customers may incur from low-quality audit, insurance companies are not capable and not ready for mass insurance of audit responsibilities.

In Ukraine there is an insufficient number of audit firms, the high cost of audit services, lack of regulatory provisions about how to conduct the audit.

Thus, there is need to develop national standards of audit which should be based on the foreign experience and consider the current audit practice in Ukraine.

Conclusions: The main potential areas of improvement of the market of audit services in Ukraine may be:

- implementation of mechanism of practical application of International Accounting Standards in Ukraine, with creating comments to this standards based on audit practice in our country;
- making appropriate changes, additions and corrections to the structure of the education system of auditors by creating uniform requirements of basic higher education;
- execution of orders on the audit of public authorities (at the tender or other base), where state control is impossible or ineffective;
- the government should give audit firms defined powers that give them responsibilities to create a profit management system through the management of production costs, based on information flow, obtained during the audit process.

Thus, the range of audit issues in modern terms is still very wide. The government should pay attention to the proposed ways of solving these problems. The implementation of these ideas will help to increase the prestige and credibility of the state, society and businesses to audit profession in Ukraine.

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