

ACCOUNTING, ANALYSIS AND AUDIT, NATIONAL CHARACTERISTICS AND EUROPEAN TRENDS

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METHODS OF COMPLIANCE WITH REGULATIONS AUDIT

The provisions of regulatory documents on the activities of economic entities directly affect the financial statements as soon as it determines the algorithms for recognizing economic events, the procedure for their evaluation and disclosure of information.

According to the regulatory documents requirements, employees of the enterprise take measures aimed at forming information on the content and results of activities during a certain period, which is systematized and summarized in the forms of reporting. The information can be used by interested persons. It should be formed by taking into account the requirements of legislative documents (financial, tax reporting) and other acts (statistical, administrative reporting, etc.) The requirements of certain types of regulatory documents relate not only to the formation of reporting forms and interpretation of the necessary information (accounting and financial reporting standards), but also its submission to stakeholders through the mechanism of disclosure.

Therefore, it is needed to ensure compliance with legislative and other regulations in the context of the functioning of economic entities, their reporting and planning measures to optimize future

activities legitimizing. Among the mechanisms of such legitimization is to obtain the opinion of an independent specialist (auditor) on the compliance of the enterprise with the requirements of regulatory framework.

In this context, the following audit tasks related to the assessment of compliance with legislative and regulatory documents can be identified:

1) the obtaining acceptable audit evidence in sufficient amounts about client's compliance with the provisions of laws and regulations that affect the determination of significant amounts and disclosures in the entity's financial statements;

2) performing audit procedures that are necessary to identify non-compliance with those laws and regulations that may have a material effect on the financial statements;

3) implementation of measures in response to the establishment of facts or signs of non-compliance with the requirements of laws and regulations identified during the audit.

At the entity's business reviewing the auditor needs to receive a general understanding of the laws and regulations that affect the financial and economic activities and the entity's personnel's behavior compliance with the relevant requirements. At the same time it is necessary to assess which non-compliance with the requirements will have a direct impact on the determination of significant amounts and disclosures in the financial statements.

To ensure the identification of cases of non-compliance with regulatory requirements the auditor needs to perform audit procedures. The most effective of them may be following:

– request to management (and, if it is necessary, to persons with the highest authority) in order to answer the question «Does the entity comply with regulatory requirements»? In response to this request the auditor has obtain assurance that all known cases and signs of non-compliance with regulatory requirements, the impact of which should be considered in the preparation of financial statements, have been disclosed;

– inspection of the company's correspondence with regulatory authorities to determine the facts of detection during control measures of deviations in the procedures for transactions and their disclosure in the report. Such a procedure will enable the auditor not only to determine the fact of deviations that may be considered as significant, but also to confirm the ineffectiveness of the company's internal control system.

If these procedures have not provided evidence of cases or indications of non-compliance with regulatory requirements, the auditor should make judgments about the inadequacy of other audit procedures to achieve this goal.

When auditor becomes aware of the fact or signs of non-compliance with regulatory requirements, he or she needs to understand the nature of the event and the circumstances in which it occurred. In the context of the study of business transactions, this may lead to the identification of intentional (fraudulent) or unintentional (erroneous) actions of management and other personnel responsible for its performing and maintaining, and for disclosure their content and results in financial statements. In such case, the auditor needs to take steps to identify and assess the possible impact of the events on the financial statements.

If the auditor receives audit evidence that there are facts or indications of non-compliance with regulatory requirements in business activity, it is needed to discuss the matter with management and, if it is necessary, with the highest authority. When as a result of the discussion the auditor has not obtained sufficient evidence to support compliance with regulatory requirements and, in his or her professional judgment, the impact of its may be material to the financial statements, legal advice is required.

Based on the evidence obtained, the auditor may conclude that management or the highest authority is involved in non-compliance. In this case, it is necessary to notify the next senior level of management of the entity. Based on the evaluation of the audit evidence, the auditor forms an opinion that is a source of assurance

that is provided to users of the financial statements according to results of the audit.

Recognition of signs or facts of non-compliance with regulatory requirements for individual transactions and the management staff's and person's with the highest authority reflection may be identified as a separate element in assessing of the internal control system of the enterprise functioning as a whole. This may lead to a review of the content, scope and sequence of audit procedures for other aspects of the entity's operations, and, if it's necessary, of the information materiality estimates, the amount of audit risk and so on.