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(ЗА ВИДАМИ ДІЯЛЬНОСТІ)**

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**АКТУАЛЬНІ ПИТАННЯ ЩОДО ПРОВЕДЕННЯ ОBOB'ЯЗКОВОГО  
АУДИТУ В УMOBAX КАРАНТИННИХ ОБМЕЖЕНЬ**

**CURRENT ISSUES REGARDING THE MANDATORY AUDIT UNDER  
CONDITIONS OF QUARANTINE RESTRICTIONS**

**Анотація.** Світова пандемія коронавірусної хвороби (COVID-19) та запровадження Кабінетом Міністрів України карантинних та обмежувальних заходів, спрямованих на протидію її подальшому поширенню в Україні, зумовили виникнення додаткових ризиків діяльності суб'єктів господарювання, що має враховуватися при аудиті їх фінансової звітності. В умовах карантинних обмежень виникає багато питань стосовно забезпечення життєдіяльності країни, всі сфери повинні були перейти на новий, досі невідомий стиль роботи. Підприємці та власники бізнесу повинні були забезпечити правильну організацію роботи, найманий персонал повинен дотримуватись правил продиктованих пандемією. Наразі не призупинено період карантинних обмежень, які спричинили розбалансованість економічної системи держави взагалі, та окремих елементів фінансового сектору економіки, а саме доцільності та прозорості складання звітності та проведення аудиту. Вже сьогодні існує багато напрацювань згідно з діючим законодавством та міжнародним досвідом роботи у період пандемії, проте не достатньо уваги приділено питанням обов'язкового аудиту в Україні, а саме його організації як зі сторони власників підприємств та і зі сторони аудиторів. В сучасних умовах карантинних обмежень виникає багато питань

стосовно організації роботи власників бізнесу та найманих працівників, необхідно дотримуватись правил продиктованих пандемією. Особливо актуальним постало питання проведення виїзних заходів, а саме проведення незалежного аудиту. Проведення цього виду перевірки було під великим питанням. Визначення чи дотримуються підприємства діючого законодавства та нормативних актів стосовно податкових відрахувань та чи правильно ведеться бухгалтерський облік та фінансова звітність на підприємстві не може чекати закінчення пандемії. Тому виникла проблема, як мінімізувати ризики при проведенні аудиту та максимізувати організацію роботи аудиторів та підприємств. У дослідженні автором зроблено спробу розкрити теоретичні питання та надати практичні рекомендації при проведенні обов'язкового аудиту в умовах карантинних обмежень.

**Ключові слова:** аудит, обов'язковий аудит, система, карантинні обмеження, фінансова звітність, умови пандемії, аудиторський звіт.

**Анотація.** В условиях карантина возникает много вопросов по обеспечению жизнедеятельности страны. Предприниматели и владельцы бизнеса должны были обеспечить правильную организацию работы. Уже сегодня существует много наработок в соответствии с действующим законодательством и международным опытом работы в период пандемии, однако недостаточно внимания уделено вопросам обязательного аудита в Украине: его организации как с стороны владельцев предприятий и со стороны аудиторов. В условиях карантинных ограничений возникает много вопросов по организации работы собственников бизнеса и наемных работников, необходимо соблюдать правила, продиктованные пандемией. Потому возникла проблема, как минимизировать риски при проведении аудита и максимизировать организацию работы аудиторов и предприятий. В исследовании автором сделана попытка раскрыть теоретические вопросы и предоставить практические рекомендации при проведении обязательного аудита в условиях карантина.

**Ключевые слова:** аудит, обязательный аудит, система, карантинные ограничения, финансовая отчетность, условия пандемии, аудиторский отчет.

**Summary.** In the conditions of quarantine, many questions arise about ensuring the life of the country. Entrepreneurs and business owners had to ensure that the work was organized correctly. Already today, there are many developments in accordance with current legislation and international experience during a pandemic, but not enough attention is paid to the issues of statutory audit in Ukraine: its organization both on the part of business owners and on the part of auditors. In the conditions of quarantine restrictions, many questions arise about the organization of the work of business owners and employees, it is necessary to follow the rules dictated by the pandemic. Therefore, the problem arose of how to minimize the risks during the audit and maximize the organization of the work of auditors and enterprises. In the study, the author made an attempt to reveal theoretical issues and provide practical recommendations for conducting statutory audits in quarantine conditions.

**Keywords:** audit, statutory audit, system, quarantine restrictions, financial statements, pandemic conditions, audit report.

**Formulation of the problem.** In the current conditions of quarantine restrictions, many questions arise regarding the organization of work of business owners and employees, it is necessary to follow the rules dictated by the pandemic. The issue of conducting field activities, namely conducting an independent audit, became especially relevant. Conducting this type of inspection was a big question. Determining whether companies comply with applicable laws and regulations regarding tax deductions and whether the company's accounting and financial statements are properly maintained cannot wait for the end of the pandemic. Therefore, there was a problem how to minimize the risks of the audit and maximize the organization of auditors and companies.

**Analysis of recent research and publications.** During the work on the disclosure of the research topic, the recommendations for reporting for COVID-19 Accountancy Europe [1] were analyzed, the recommendations for auditors during

the pandemic were considered on the website of the Audit Chamber of Ukraine [2], and the works of such foreign and domestic scientists were considered. Al-Masoodi H., Al-Kawaz SM, Abbas AA, John Lorinc, Joseph Radigan, Bunget O., Puhachova M.V., Antonyuk O.R. and Pavlyuk V.V.

**Selection of previously unsolved parts of the overall problem.** The topic of the study is quite relevant due to the fact that the period of quarantine restrictions, which led to the imbalance of the economic system in general, and certain elements of the financial sector of the economy, namely the feasibility and transparency of reporting and auditing. Today, there are many developments in accordance with current legislation and international experience during the pandemic, but not enough attention is paid to the issue of mandatory audit in Ukraine, namely its organization by both business owners and auditors.

The international professional organization Accountancy Europe [1] provided recommendations for reporting and auditing during the outbreak of coronavirus infection COVID-19. Accountancy Europe (formerly the Federation of European Accountants), which unites 51 professional organizations of accountants, auditors and consultants.

Thus, accounting and auditing standards, despite the difficult times in which humanity found itself, must be applied correctly. "Companies must address standards in accounting and auditing, and thus respond to the challenges posed by coronavirus infection in a reasonable and practical manner," the Accountancy Europe said. [1]

"Businesses that have been negatively affected by COVID-19, such as small businesses or companies operating in the field of travel, recreation, aviation, should pay attention to the possibility of continuity of their activities. However, the balance sheet should reflect the financial condition of these companies. the end of the reporting period ", - stressed the representatives of Accountancy Europe [1].

**The purpose of the article.** The main purpose of the study is to reveal theoretical issues and provide practical advice when conducting a mandatory audit under quarantine restrictions.

**Presenting main material.** Under quarantine restrictions, privately owned managers, despite the stressful situation and difficult circumstances, must act clearly, consistently and transparently in accordance with applicable law.

The holiday season is over, the end of the year is approaching, and right now we need to think about conducting a mandatory audit for 2020. In a pandemic, business leaders are asked the same questions every time (Fig. 1)

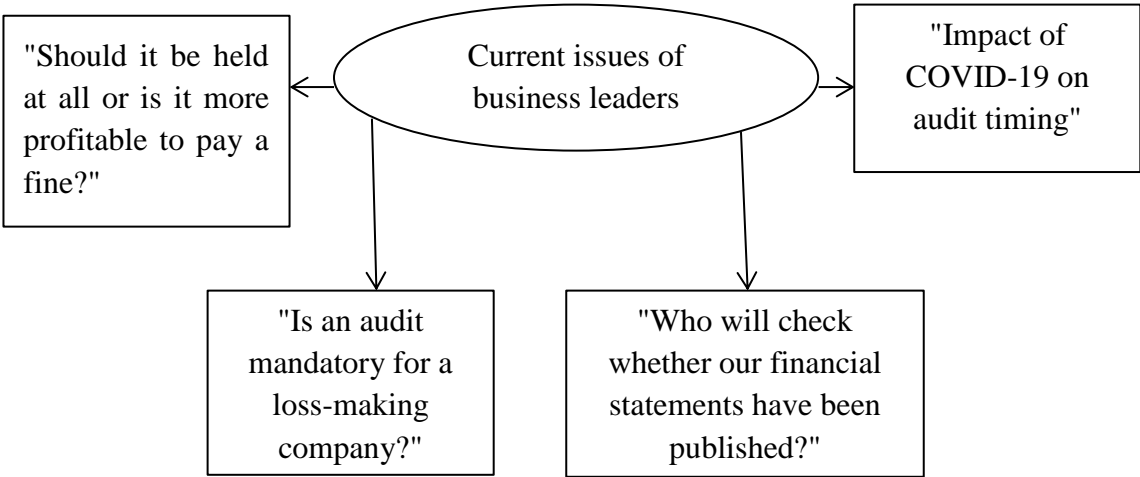


Fig. 1 Current issues for business leaders regarding statutory audit (author's development)

As can be seen in Fig. 1, the issues are quite important for the heads of enterprises because they relate to the submission and disclosure of financial statements, as well as the whole process and procedure of the audit.

In the quarantine situation in the country, the issue of the impact of COVID-19 on the audit period is important.

Due to the epidemiological situation, March 30, 2020. The Verkhovna Rada of Ukraine adopted the Law №540-IX “On Amendments to Certain Legislative Acts of Ukraine Aimed at Providing Additional Social and Economic Guarantees in Connection with the Spread of Coronavirus Disease (COVID-19)”, which amends Section V “Final provisions” of the Law on Accounting and extends the terms of publication of financial statements, including consolidated, together with the auditor's report.

The audited financial statements must be disclosed within 90 calendar days from the day following the end of quarantine, but not later than 31 December 2020.

In addition, for companies that are issuers of securities within the period specified in paragraph 7 of section VII "Final Provisions" of the Law "About securities and the stock market", but not later than 31 December 2020.

Thus, there is one solution to this issue, not to postpone the signing of the contract for the audit, because the procedures for approval and planning of the audit take some time.

Take care of this in advance to prepare financial statements based on the recommendations of qualified auditors who will conduct an audit for the benefit of your company, because the financial result determined in the financial statements affects the object of income tax in accordance with the Tax Code of Ukraine.

Laws adopted in Ukraine in 2020 address topical issues related to statutory audit.

Namely in accordance with the Law of Ukraine of 16.07.99 №996-XIV "On Accounting and Financial Reporting in Ukraine" (hereinafter - the Law on Accounting ), in the wording in force at the date of preparation of the publication, the following categories of enterprises are obliged to publish annual financial statements and annual consolidated financial statements together with the auditor's report:

Enterprises of public interest (except for large enterprises that are not issuers of securities), public joint-stock companies, natural monopolies in the national market and economic entities operating in the extractive industries - no later than April 30 year following the reporting period;

Large enterprises that are not issuers of securities, and medium-sized enterprises - no later than June 1 of the year following the reporting period;

Other financial institutions belonging to micro and small enterprises - no later than June 1 of the year following the reporting period.

To determine the category to which the company belongs, it is necessary to analyze the criteria set out in the Law on Accounting and meet at least two of those listed in one category at the date of the annual financial statements.

To determine compliance with the criteria set in euros, the official exchange rate of hryvnia (UAH) against foreign currencies (average for the period), calculated on the basis of exchange rates of the National Bank set for the euro during the year, is used. [2]

If an enterprise of one of the above categories does not meet the above criteria in terms of annual financial statements for two consecutive years, it belongs to the relevant category of enterprises.

That is, to change the category, the company must meet the new criteria two years in a row.

The most important issue regarding the audit of financial statements concerns the unprofitable enterprise.

Namely, is there an obligation to audit the financial statements?

Requirements for disclosure of annual financial statements and annual consolidated financial statements together with the auditor's report are set for certain categories of enterprises. [2]

Therefore, the declared losses do not affect the obligation to conduct an audit and do not release the company from the consequences in case of violation of the relevant requirements of the Law on Accounting.

The next question to be addressed concerns fines. Baato entrepreneurs are interested in the question "Should it be held at all or is it more profitable to pay a fine?"

Article 163-16 of the Code of Ukraine on Administrative Offenses provides for penalties for late publication of audited financial statements in the amount of:

1000 to 2000 tax-free minimum incomes, i.e. from 17000 to 34000 hryvnias for the first violation;

2000 to 3000 non-taxable minimum incomes, i.e. from UAH 34000 to UAH 51000 for repeated violation;

Payment of the fine does not release the company from the obligation to conduct an audit.

Thus, it is possible to draw a conclusion, even if the head of the enterprise decides not to carry out audit, and to pay the penalty, payment of the penalty does not release it from carrying out audit.

Is the audit report a component of tax reporting?

Adopted on 16.01.2020, the Law of Ukraine №466-IX "On Amendments to the Tax Code of Ukraine to improve tax administration, eliminate technical and logical inconsistencies in tax legislation" amends paragraph 46.2 of Art. №46 TCU, which give the statutory audit tax value.

Thus, by the end of 2020, income taxpayers who are required by the Law on accounting to conduct an audit, together with the tax return must submit annual financial statements to the State Tax Service with an audit report.

Please note that the financial statements are an appendix to the income tax return and form an integral part thereof.

Therefore, the income tax return without an audit report can be considered by the fiscal authorities as "made in violation of the requirements" or not "submitted" at all.

It should also be noted that in accordance with the updated paragraphs. 39.4.6 § 39.4 art. 39 TCU companies that prepare transfer pricing documentation for submission to regulatory authorities, must supplement it with a copy of the audit opinion on the accounting (financial) statements of the taxpayer for the reporting period (reporting periods) for which the transfer pricing documentation is submitted (if its presence is mandatory for the taxpayer).

As part of the disclosure of the research topic, it is advisable to consider the peculiarities of the work of auditors during a pandemic.

The coronavirus pandemic and related quarantine measures have affected the functioning of internal audit services around the world. Ukraine is no exception.

The management of internal audit functions urgently needed to:

1. to return all auditors from business trips;
2. to determine which part of the team can work from home, and which of the auditors should be able to work from the office;



3.to make sure that all internal auditors have laptops with access and settings required for remote work (for example, due to the need to ensure banking secrecy in banks there are usually quite strict restrictions on the ability to work with customer data outside the office);

4. to develop a plan of regular communications between team members in the conditions of remote work;

5. to review the audit plan as to which audits are easier to conduct remotely, which risks have become more urgent in the new environment, which units have an increased workload due to quarantine measures, and so on.

Extraordinary circumstances require extraordinary leadership. In a pandemic, internal audit managers must not only provide the necessary assistance to business owners and managers, but also take all necessary measures to ensure the effective operation of their team. [7]

Features of the work of auditors during the pandemic are shown in table 1.

Table 1

Features of the work of auditors during the pandemic (summarized and supplemented by 3,4,9,12)

Feature	Characteristic
Organization of remote work of the main part of the staff	All key accesses and settings must be considered; obstacles that auditors may encounter while working from home; the need to organize regular communications between team members.
Defining priority tasks in new conditions	It may be necessary to review the audit plan, to focus on audit work not directly related to the audit, such as risk assessment.
Adaptation of audit procedures	It is necessary to analyze whether the usual audit procedures can be adapted to new conditions, for example, by studying the recordings from CCTV cameras instead of physically visiting certain objects or conducting remote testing of control through the analysis of information available in the system.
Organization of teamwork	If desired, you can continue to work on building a

	<p>unified team and socialization, despite the physical distance between employees. For example, you can organize a virtual space where colleagues can communicate freely with each other and share personal experiences to continue to feel part of one team.</p> <p>It is noted that despite the peculiarities of the situation, internal audit managers should not forget about their leadership role and related responsibilities. Yes, it is important to remember that internal auditors are highly qualified professionals who show the best results when they are given the opportunity to find a solution to a problem on their own, rather than just telling them what to do. Therefore, the team should be actively involved in discussing the necessary changes in the work of the internal audit function, reviewing the audit plan and updating audit procedures.</p>
<p>Safe environment</p>	<p>Also, the head of internal audit should not forget about the importance of creating a safe and comfortable environment for all team members, especially in a stressful situation. To do this, it is necessary to share with the team available information about the measures planned by the top management to respond to the crisis, to discuss changes in the work of internal audit, as well as not to overburden employees in this already stressful period.</p>

Thus, we can conclude that the work in quarantine conditions has its own characteristics, which relate to both the correct and safe organization of the work process, and the definition of priorities and decisions of audit procedures in the new environment.

The organization of remote work of internal auditors has a number of significant obstacles.

Firstly, in quarantine conditions, auditors are not able to conduct any physical inspections and checks.

Secondly, working from home, they may not have access to the organization's critical systems and databases, making it impossible to conduct a significant portion of the planned tests and analyzes.

Thirdly, managers in various fields may be overburdened with critical issues related to the functioning of the organization in the new environment, and may not be able to participate in meetings related to internal audit.

Under such conditions, the work of internal auditors during the quarantine period is often limited to filling out working documents on the initiated inspections, preparation for the next audits, which includes drawing up an audit program, studying the regulatory framework, and so on.

Finally, auditors may be engaged in other work not directly related to audits, such as conducting risk assessments, updating internal regulations governing internal audit activities, conducting internal assessments of the quality of internal audit functions, distance learning, and so on.

**Conclusions and suggestions.** Thus, we can conclude that the organization of remote work of internal auditors has a number of significant obstacles, both for the auditors themselves and for companies. Thus, under quarantine conditions, auditors are not able to conduct any physical inspections and checks, entrepreneurs did not work at all, either declared themselves bankrupt, or worked part-time or remotely. In addition, working from home, auditors may not have access to critical systems and databases of the organization, which makes it impossible to conduct a significant part of the planned tests and analyzes. In addition, managers in different areas may be overburdened with critical issues related to the functioning of the organization in the new environment, and may not be able to participate in meetings related to internal audit. All this actualizes further research on this topic.

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