

PLANNING TO CONDUCT AN AUDIT OF PRODUCTION COSTS IN THE ENTERPRISE

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Abstract: *In order for any activity, especially audit activity, to be effective, first of all, it is necessary to draw up a thorough and clear plan or program. Their content comes from the set goal and specific tasks set for its fulfillment. The norms and practices used by the auditing organization during the planning of the cost audit, the audit planning process and the situations in the processes of concluding a contract between the auditing organization and the business entity are described in the article.*

Keywords: *cost audit, audit planning, contract, financial reporting, significance level, financial reporting, obligations, pension.*

The cost is determined by the standards used by the audit organization when planning the audit. It is impossible to carry out a quality audit without carefully preparing the audit plan. In practice, the audit planning process begins before the contract between the audit organization and the business entity is concluded. In many cases, if no contract is concluded with the client, the question arises as to from which sources the costs related to the planning of the audit will be financed. After concluding the contract, the cost of work related to the initial planning of the audit will be added to the total cost of the audit service, otherwise it should be carried out at the expense of the audit organization. Planning is the initial stage of an audit, and auditors should not directly begin the audit process until the plan is established.

The purpose of the cost audit is, in particular, the following: expert assessment of the state of expenses directly related to the cost in accounting, verification of the accuracy of the annual financial report information.

Cost audit planning should also be divided into the following stages:

- a) preliminary planning of product cost audit;
- b) preparation and creation of the general plan of product cost audit;
- v) preparation and creation of a product cost audit program.

This standard requires the creation of both an audit plan and an audit program for conducting audits and cost audits in any enterprise. If most of the audit organization's clients are small and medium-sized enterprises, then with minor adjustments, a sample audit plan suitable for auditing most enterprises should be developed and detailed when planning the cost audit program. It is necessary to pay special attention to the composition. There are several such sample plans, and they may differ from each other for businesses with different businesses. For example, trade enterprises, production and service enterprises, etc. Also, the auditor can make general sample plans according to some other principles.

The general plan of the product cost audit: familiarization with the client's activities, preliminary planning related to the product (work, service), evaluation of the internal control system of the audited business entity, determination of the selection size and significance level, according to the product cost audit it should reflect all stages of the audit, including the preparation of the program, the process of conducting the audit directly (execution of the program), the analysis of the results of the

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work performed, the preparation of all intermediate and general documents, the presentation of the results of the audit to the client, etc. According to the standard, the auditor should include in the general plan the preparation of audit deadlines and the audit schedule, the preparation of an audit report (written information to the management of the economic entity) and an audit conclusion. Based on this, the auditor should make a schedule and schedule for the cost audit.

During planning, the auditor should take into account the following:

- calculation of time consumption and actual labor costs in the next period;
- level of importance;
- creation of an audit team, the number and qualifications of auditors involved in the audit,
- distribution of auditors to specific departments where audits are conducted according to their qualification levels and positions;
- providing guidance to all members of the audit team, introducing them to the client's financial and economic activities;
- control of the head of the audit group over the implementation of the plan and the quality of work of assistant auditors;
- explanation of methodological issues related to the performance of audit activities.

During the audit, in most cases, it will not be possible to fully check 100% of the documents and processes at the cost of the product in the client's activity. Therefore, it is necessary to indicate in the plan how the selection of auditors will be carried out. It is envisaged to agree some sections of the cost audit plan and program with the management of the economic entity, in which the audit organization will remain independent in the choice of audit methods and methods. In most cases, such an agreement, considering the issues related to a more detailed analysis of some sections of the client's activity at the planning stage, the actions of the auditor during the inspection being understandable to the management of the client's enterprise, as well as the documents required according to the auditor's work schedule it is expedient to be provided by the client quickly and to release financial service employees who are needed at one or another stage of the investigation. After the cost audit plan is drawn up in accordance with the standard, an audit program should be drawn up, in which a detailed list of all audit actions on the correct accounting of product costs should be described. The program is a detailed guide for auditors, which should reflect all their actions on the audit of the cost sections of the accounting accounts to be audited, as well as the analysis of the internal control system.

Compilation of the audit program should not be performed superficially, because it serves as an effective control lever in the work of auditors, and the conclusions of the auditor on each section of the program should serve as the basis for the preparation of the audit report and the audit conclusion. The auditor should plan his work in such a way as to ensure the correct accounting of costs, the correct reflection of expenses, the reliability and legality of financial transactions, and the correctness of their reflection in accounting accounts. will undergo a timely and quality audit.

Product cost audit planning should ensure:

- a) obtaining the necessary information about the cost of production and the state of the account of period expenses and the effectiveness of the internal control system in accounting;
- b) to determine the content, time and scope of control actions to be performed.

In order for the auditor to draw up a good and high-quality plan and accurately take into account the expected volume of work, first of all:

- to study the terms of the contract for auditing;
- to distinguish the most important issues of the conducted audit;
- identify conditions that require special attention;



- study of the impact of new laws, regulations, regulations and other related regulatory documents on the audit, taking into account the cost of products in the activity of the audited enterprise;
- determining the level of reliability of the audited enterprise's cost accounting system and internal audit system;
- analyze the work of internal auditors and the possibility of involving them in the audit;
- the need to involve experts should be determined.

It is very important that the details of the working documents do not differ from the information in the certified financial statements. Audit conclusions should be clear and unambiguous.

The general planning of work of audit organizations is divided into two stages. In the first stage, the audited enterprise is studied and described, and the main dimensions of the audit are determined, and in the second stage, an audit strategy is developed and a detailed description of all upcoming work is drawn up. Product cost audit planning begins with a detailed study of the activities of the audited enterprise. The auditor has two goals from studying the company's activities:

- a) facilitating and improving the quality of auditing;
- b) providing practical consulting assistance aimed at improving the economy of the audited enterprise.

The laws applied to enterprises depend not only on the forms of ownership, but also on the organization of decision-making processes and the composition of persons responsible for signing certain documents.

Knowledge of the management process will help the auditor not only to collect the necessary materials, but also to identify the main users of his report and correctly assess the risk situations in his work.

Analyzing the goals of the audited enterprise is necessary to form a correct opinion about the audited report, allowing a better understanding of its transactions. To determine the goals of the enterprise, it is necessary to know the following: the main types of products and services; plans for mergers with other enterprises, groups or for the purchase and sale of the enterprise; large enterprises in the field of scientific research and experimental design, planned capital investments, plans to enter new markets; changes in information technology, tax planning strategy.

Information about the client's transactions helps the auditor to correctly assess his risk situations, to create an effective audit program and to save time spent on its implementation. Knowing the accounting policy of the audited enterprise for the formation of product costs allows the auditor to develop effective methods of checking various accounts. Most importantly, the auditor should make sure that the current accounting system reliably reflects the economic activity of the audited entity and to what extent it can rely on the existing control tools in the audited entity. Also, it shows the accounting system, i.e. the structure of the document circulation plan, how the duties of the accounting staff are distributed, what account correspondences (interconnections) are adopted to reflect the main transactions of the enterprise, and what account registers are used. It is necessary to state the issues. Many auditors are under the misconception that the accounting methodology is standardized, centrally regulated, and therefore does not need to be disclosed. They do not pay enough attention to this part of the audit planning based on this idea. Such an approach is unacceptable, because a centralized system leads to the fact that different enterprises hide not only their characteristics, but also their mistakes under the name of model accounts and registers.

Often, when conducting a product cost audit, the auditor tries to take on functions that are not characteristic of him, trying to find out for what purposes errors were deliberately included in the cost



of costs in accounting (perhaps malicious purposes to mislead users of accounting report data may be intended).

The auditor must take into account that only the authorized body can make a conclusion about the deliberate actions (or indifference) of the employees of the economic entity, which lead to errors in the accounting report. What matters to the auditor is whether the identified errors are material or not. If, based on the results of the information presented to the management, no changes have been made to the relevant accounting documents, then the auditor must include in the audit report information about the distorted facts in the accounting report, which were discovered during the audit. Both the auditors and the management of the audited business entity should not forget that for the occurrence of deliberate and unknowing violations of accounting reports; for failure to take measures to prevent such errors; the employees of the economic entity are responsible for not eliminating them or correcting them late.

Organization of a reliable and quick accounting of the fulfillment of contractual obligations for the supply of products in the enterprise, compliance with the procedure established by the employees of the enterprise, taking into account the fulfillment of the obligations of the delivery of finished products;

losses incurred as a result of failure to deliver the products in full and on time (fines, penances, damages, etc.); implementation of planned measures to update the released products; product quality indicators, damages for delivery of broken and low-quality products; product release rhythm, reasons for non-rhythmic work, damages caused by non-fulfillment of daily schedules; rational use of raw materials, materials and production waste;

compliance of reporting data on product production and sales with the data of accounting and preliminary documents; that unfinished products are not included in the product report during the reporting period, and other additions and confusions are not allowed in the reports.

The program serves as a detailed guide for auditor assistants and at the same time is a tool for monitoring the quality of work for the heads of the audit organization and the audit team.

When checking the cost of products, the auditor should document the audit program, mark each performed audit procedure with a number or code, so that the auditor can refer to them in his working documents during the work process. By its essence, audit procedures include a detailed examination of whether turnover and balances on accounts are correctly reflected in accounting.

Also, the audit procedures program will consist of a list of auditor actions for such detailed inspections. This completes the planning work on the audit of the product cost.

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