

DIRECTIONS OF REDUCTION OF THE AUDIT RISKS IN THE CONDITIONS OF THE ELECTRONIC ECONOMY

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ABSTRACT

It was proved that it is the construction of a set of updates for assessing audit risk, identifying factors influencing the change in its level, applying methods and procedures for reducing audit risk, form an effective organizational audit model. The elements of monitoring inherent risk as the main component of audit risk were analyzed. A model of a set of typical undesirable factors influencing the level of inherent risk was built. The direction of reducing audit risks in the implementation of the audit was considered.

Keywords: Audit Risk, Liability Insurance, Reporting Articles, Cryptocurrency, Professional Judgment, Materiality of Information.

JEL Classifications: M21, O16

INTRODUCTION

In carrying out an audit, there is a whole set of risks that cannot be avoided, but it is necessary to minimize their negative impact. In addition, audit customers seek to obtain high-quality audit services, and information users to be confident in the accuracy of, in particular, accounting data and financial statements, confirmed by independent auditors.

The dynamic growth of expectations of users of financial information to improve the quality of audit and the unsatisfactory state of the process of assessing and minimizing audit risk in many audit firms, as well as a significant increase in the level of responsibility for the provision of poor-quality audit services, determine the high relevance of the topic. The relevance of the topic is also enhanced by the imperfection of the methodology for identifying and assessing audit risk, which requires significant adjustments and updates, including through the use of new ways to study the environment in which a company operates, focusing on areas with increased deviations, and the introduction of new technologies and information systems.

The aim of the study is to improve the mechanism of identification, assessment and reduction of the level of audit risk, taking into account the characteristics of the enterprise and its activities, environmental conditions and current trends.

The main scientific hypothesis of this study is the possibility of a significant reduction in the threat of financial and reputational losses for audit firms and customers, minimizing the likelihood of incorrect audit results and inadequate audit opinion, due to a significant improvement in the mechanism for assessing and reducing audit risk and identifying factors affecting it.

REVIEW OF PREVIOUS STUDIES

Most scientists interpret the risk of non-detection as follows (Bailey et al., 2017; Chu et al., 2018): the risk is associated with the possibility of the fact that the audit procedures selected at the planning stage of an audit do not ensure the identification of all the bottlenecks of the company under investigation and have a high concentration ratio both among the account balances and among various classes of operations, reporting items (Stancheva-Todorova, 2018).

We can also distinguish such features of the risk of non-detection as the lack of a full or partial understanding of the client's desire to master new innovative and technological projects, the mismatch of the qualifications of the audit firm's employees with the level and pace of development of a number of client enterprises (Ferreira Rebelo et al., 2017)). This may affect the accuracy of the thoughts of the executor of the audit of the financial statements, since it is likely that the identification of all potential and new risks of the environment of the client enterprise will not occur (Cohen et al., 2017).

METHODOLOGY

In the process of writing a scientific work, an integrated approach was used on various aspects of assessing and minimizing the level of audit risk, its impact on various parameters of the audit, both at the planning stage and its implementation. In addition, depending on the problem that was solved, the methods of comparison, observation, analysis, modeling, generalization, and grouping were used, as well as, for a better perception of information, graphical display of data.

RESULTS AND DISCUSSION

Every time under the influence of the growing human needs of humanity, the number of new technologies and opportunities is increasing, in turn creating favorable conditions for the emergence and development of new types of risk. A similar situation is observed both in industrial enterprises and in auditing activities. That is why an important step in the process of assessing audit risk is the study of a group of factors and sources of their occurrence in the context of each individual type of risk before and during the audit.

Each business entity should be assessed as an individual, special object, because in reality, the likelihood of repeating the inherent complex of features, risks, specific characteristics of activities, attitudes and plans of employees is extremely small. Accordingly, for the most complete picture of the environment in which one of the elements of the general audit risk is formed, namely, the risk of control, the auditor should not be limited only to the study of control measures and their monitoring. Indeed, one can learn about the effectiveness of their use, expediency and facts of violation, including by comparing planned and actual results of an audit customer.

It is also erroneous to believe that carrying out a series of control measures is a "panacea" for significant distortions in financial statements, abuse by employees or unauthorized operations. Since, the development of the structure of control measures, the objectives of the implementation of control measures and the limitation of the control environment are done by the person who is prone to make mistakes (Drobyazko S. (2018)).

It is important that the auditor, guided by professional judgment, can independently emphasises those areas of the enterprise, probably have a favorable environment for the occurrence of the risk of material information distortion.

In order to minimize investment risks, the audit object faces in parallel another threat as a result of the decision made by the manager, and which is more difficult to diagnose - the

risk of losing potential investors from shifting a large part of the responsibility to the insurance company. As a result, experienced investors doubt the feasibility of investment and are not ready for such cooperation.

It is impossible to ignore in the process of study the inherent risk of such factors as the constant turnover of representatives of management personnel, which is an indicator of an improperly constructed organizational structure or the fact of significant pressure from top-level managers.

Additional study and research by the auditor requires a review of non-standard operations for the enterprise at the end of the reporting year, including those related to the acquisition of securities. When analyzing the published findings of auditors on Internet platforms, 94% of which contained evidence of previous calculations of prudential indicators (Kachelmeier et al., 2017), which should precede the acquisition of capitalized assets. It is obvious that the decision was made by management personnel that stimulated the emergence of favorable conditions for an increase in the level of inherent risk (Garbowski et al., 2019).

In the conditions of tough competition in the market, business leaders are ready for "radical steps" and violation of the rules of "fair play in business." Accordingly, they promote the employment in competing enterprises of their employees for the purpose of industrial espionage and obtaining management information. That is why the auditor should take into account the possible risk to the component peculiar, in order to reflect the real state of the enterprise.

Given the fact that the company's management cannot influence all areas of the functioning of the integrated system, it is advisable to consider and take into account the significance of undesirable factors that are most common among domestic enterprises (Table 1).

Multicomponent implementation process of the main activity		
Legal barriers and regulation of certain types of activities	Irrelevant factors affecting inherent risk	
Presence of undetected cumulative effect of inaccuracies that remained from the previous audit		Probability of losing the resource bank
Honesty and transparency of management personnel actions		Severe reassessment of consumer needs
		Probability to get a lawsuit decision
		Frequency of force majeure situations in the functioning environment

TABLE 1
SET OF TYPICAL UNDESIRABLE FACTORS INFLUENCING THE LEVEL OF INHERENT RISK

Source: Own development of the author

Under the irrelevance of factors, we understand the absence of a direct influence on the decision of management personnel on the formation of potential risks inherent in the area of activity in the framework of which entrepreneurial abilities manifest themselves.

So, the factor of probability of influence is difficult to foresee at the level of inherent risk the frequency of force majeure situations in the environment of the audit object, the

consequences of which can be leveled using the reserve fund created earlier arise with a probability of 7-11% of the total number of unforeseen circumstances (Kim et al., 2017).

The development and formation of auditor's unwarranted and unreasonable expectations about the possibilities of using data in the audit process should be regarded as the result of non-compliance with a number of requirements for the identification and adaptation of financial statements.

It is worth noting that the result of the publication of data often occurs as a phenomenon "giving information to uncharacteristic features". Since it is rather difficult for users to separate the results of processing financial statements from their source, they identify their values. At the same time, they do not take into account the concept of the influence of the process of forming the results of processing financial information and a number of risks with which it is associated.

Referring to the practical experience of audit companies in terms of the likelihood of inadequate understanding of data and the expression of inaccurate thoughts, an algorithm was developed to minimize the level of audit risk, by adhering to which you can help reduce the value of audit risk to a level that would satisfy the auditor's requirements and further ensure the possibility of confident operation of data obtained as a result of verification.

In particular, at the stage of acquaintance with the company and an approximate assessment of the value of audit risk, a number of preventive actions should be taken. The concept of which is to insure the liability of an audit firm involved in the audit of this object, to third parties and the customer for possible losses.

In addition to the method of liability insurance, it is necessary to consider such a procedure as fixing the "area of increased attention", which is identified as a result of a preliminary assessment of the specifics and analysis of the characteristics of this customer company. This step will precede a significant increase in the quantitative expression of the conducted analytical procedures and their level of quality within a certain area. It is advisable to note that the involved auditor independently determines the amount of additional research, guided by his own practical experience and professional judgment.

The results of our study are confirmed by the following studies. Acknowledging the fact of widespread of an automated and computerized way of conducting accounting and tax accounting among enterprises, it is advisable to improve the qualitative characteristics of an audit by attracting a highly specialized expert (Hilorme et al., 2018). After all, the auditor is unlikely to independently identify the identified violations of technical procedures in full (Hilorme et al., 2019).

RECOMMENDATIONS

We recommend the use of bots in the processing of a significant information array and data extraction; the use in the inventory process of drones, which greatly accelerates the process of actual measurement of stocks; the acquisition of knowledge and skills to conduct an independent audit of operations related to cryptocurrency, the like. As a result of scientific work, we offer auditing companies that are striving to improve, a whole range of updates on the assessment of audit risk, identification of factors influencing the change in its level, application of methods and procedures for reducing audit risk.

CONCLUSION

In the conditions of fixation of availability, significant for the auditor, the excess of the current amount of audit risk by the permissible level, at the stage of research of the object of the customer of the audit, the auditor introduces a number of additional and alternative procedures with parallel involvement of professional judgment. The manifestation of such a

combination the introduction of the brainstorming method in relation to managers and heads of the enterprise. The instrument of this method is an individually developed system of twenty different in its essence questions relating to the various areas of activity of the object of study. In this case, the stated question in no case should form a chain of logical sequences so that the respondent could not predict the next question and lose the effect of surprise.

Another alternative way to reduce the level of audit risk is to identify a set of processes and operations uncharacteristic for a given enterprise, establish their quantities and the ratio of the value expression to the total turnover, and if their percentage expresses more than 5% (since if this limit is exceeded, these operations are significant) it is worth to make control inquiries to counterparties. You should not limit yourself to inquiries to counterparties in conditions when the value expression of finished goods of primary production changes sharply and often. It is necessary to obtain from the marketing department a documentary substantiation and confirmation of such fluctuations and an unstable price policy of the environment.

However, the set of proposed and considered procedures should not be identified with the "panacea" of excessively high level of audit risk. Taking into account the numerous features of the customer's activities, the stipulated requirements and audit objectives, the auditor referring to practical experience, professionalism chooses the most successful, in his opinion, combination of ways to reduce audit risk, the results of which will help reduce the number of uncertain operations and the level of unpredictability of certain actions.

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