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AUDIT OF EXPORT OPERATIONS

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Abstract. *The purpose of this article is to investigate the theoretical and organizational aspects of export operations audit and to identify its role in Ukrainian enterprises. Audit as a kind of control is necessary and justified, since the possession of authentic information is a prerequisite for the successful functioning of business entities. The article defines such notions as "export activity" and "export". The organization basic elements of export operations audit are also identified. The task is formulated and the sources of audit of export operations are summarized, as well as the methodological means and stages for its implementation are mentioned. It is proposed to create an internal audit department in order to control export operations at the enterprise effectively.*

Keywords: *audit, export operations, foreign economic activity, enterprise, accounting.*

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Introduction

Development of foreign economic activity, which is based on the initiative of economic entities, as well as the government's efforts to strengthen its position in the world as a market economy country capable of forming adequate foreign and domestic policy, create an effective tax policy, control system, including in the foreign economic activity contributes to the integration of Ukraine into the European community.

One of the main prerequisites for successful operation of foreign economic entities is the audit of export operations. Auditors, as independent experts, are involved in audits in order to obtain an unbiased opinion on the authenticity of the provided information and reports. Thus, the auditors have to constantly try to minimize the audit time, without reducing the quality of such audit and, accordingly, without increasing the audit risk.

It should be mentioned that one of the most effective ways to solve this problem is to develop a clear methodology for verifying export transactions. On the other hand, export transactions are related to virtually all other aspects of accounting, such as sales, payments to foreign buyers, foreign currency and current accounts. Therefore, the usage of a sound audit methodology is an objective process as it contributes to the information accuracy regarding export transactions.

Literature review

Problems of organization and methods of audit regarding export operations were investigated by the following national economists: Astafieva, K.L. Bagriy, A.O. Baranova, I.S. Heidey, G.Ya. Deaf, O.A. Zadoy, O.A. Yevtushenko, T.O. Krivtsova, O.I. Koblyanskaya, Yu.G. Kozak, N.M. Levchenko, E.M. Limanova, S.V. Palchikovskiy, N.Y. Radionova, V.V. Semenets, R.V. Shynkarenko, S.V. Shulga. However, issues related to the audit methodology of export operations are not explicitly explored either in science research in the audit sphere or in regulatory documents that have been formally approved in Ukraine. Thus, the chosen field of our research is quite relevant nowadays.

The purpose of the article. The aim of the article is to investigate the theoretical and organizational aspects of export operations audit and to clarify its role at Ukrainian enterprises.

Results

Foreign trade is one of the main forms of foreign economic activity. The promotion of domestic goods in the international market makes it possible to expand the markets of Ukrainian manufacturers. Reports of the State Statistics Service of Ukraine indicate that during the January-February 2019, exports of goods was up to 7.96 billion. USD, which is 7.9% more than in the same period of 2018. During the two months of 2020, foreign trade operations were conducted with partners from over 202 countries [2].

During this period, Ukrainian exporters have sold plant products worth nearly \$ 1.99 billion, precious metals and their products for \$ 1.9 billion, machinery, electrical equipment - \$ 669 million. In particular, in the first two months of 2019 goods were exported to the EU countries worth about \$ 3.5 billion, which is 4% more than in January-February 2018 [2].

It should be mentioned that Ukrainian goods and services exports amounted up to \$ 57.1 billion in 2018 and have increased by 8.6% or \$ 4.5 billion compared to 2017.

Integration of Ukraine into the world economic system have started active participation of domestic enterprises and organizations of different ownership forms in foreign trade activities. Foreign trade activities have a wide range of import and export relations. This movement of capital requires in turn clear registration and reporting, as well as strict control, which include not only domestic, but also external, independent controls. Audit is the most effective form of control.

Audit as a type of control is necessary and justified, since reliable information is a prerequisite for the successful functioning of business entities.

First of all, it is advisable to consider approaches to the interpretation of the "export activity and export" concept in the normative legal acts and works of domestic scientists on economic theory and accounting (Table 1).

Thus, based on the reviewed literature, we can say that the export activity of the enterprise is a systematic long process, which consists of the following stages: preparation of the company for export, adaptation of the goods to the requirements of

the potential market and export itself, which in turn has certain economic consequences.

Export sales audit is one of the most responsible and complex areas of the auditor's work. Specificity of foreign trade activity requires analysis of various documents, on the basis of which an assessment of the reliability of reporting and compliance of the performed transactions with the current legislation is formed. Before starting the audit of export operations, it is advisable to formulate the purpose and tasks of such verification (Fig. 1).

Table 1

Interpretation of the essence of the notions "export activity of the enterprise" and "export"

Source	Definition
Law of Ukraine "On Foreign Economic Activity" [10]	Export (of goods) - sale of goods by Ukrainian entities of foreign economic activity to foreign economic entities (including payment in non-monetary form) with or without export of these goods through the customs border of Ukraine, including re-export of goods
A.Cherep, O. Ortinskaya [13]	Export activity of enterprises is a certain sequence of implementation of specific stages of enterprise integration process into the foreign market
O. Melnyk, M. Nagirna [9]	The export activity of an enterprise is a range of interrelated transactions that involve the sale of goods with compulsory passage through the customs border, in order to make these products available to a foreign partner.
N. Tyurina and N. Kravatska [3]	Export is the sale of goods and services in foreign markets, which were manufactured or provided in their own country
O. Skurupiy [4]	Export – is the sale of goods or services manufactured in the territory of the exporting country to the entities of the importing country

The main sources of information for the audit of export operations are the following: legislative acts and regulations governing exporters' relations with foreign economic entities, banking institutions, government bodies; commodity accompanying documents (certificates of quality); warehouse documentation, invoices; customs documentation, technical documentation, arbitration documentation, contracts, as well as contractual and organizational documentation. It should be noted that during the audit, the auditor may need to obtain additional information from other sources. The audit of export operations is conducted on the basis of an audit plan approved prior to the start of the audit by an audit organization and agreed with the audited entity.

Information contained in various sources on export operations is the main object of export operations audit (Fig. 1). The auditor may use special methods such as: questioning, comparison, physical and documentary verification, transfer, sample research when checking export transactions.

In modern business environment, conducting audits is necessary to improve the efficiency of the business, which in turn may include services to improve the state of accounting and reporting at the enterprise. Undoubtedly, this toolkit is an audit activity, which includes the processes of analysis, evaluation and provision of independent opinion, but only after conducting a thorough review of accounting

reports regarding foreign trade operations and internal activities, in order to express an opinion about the reliability and accurateness of such information.

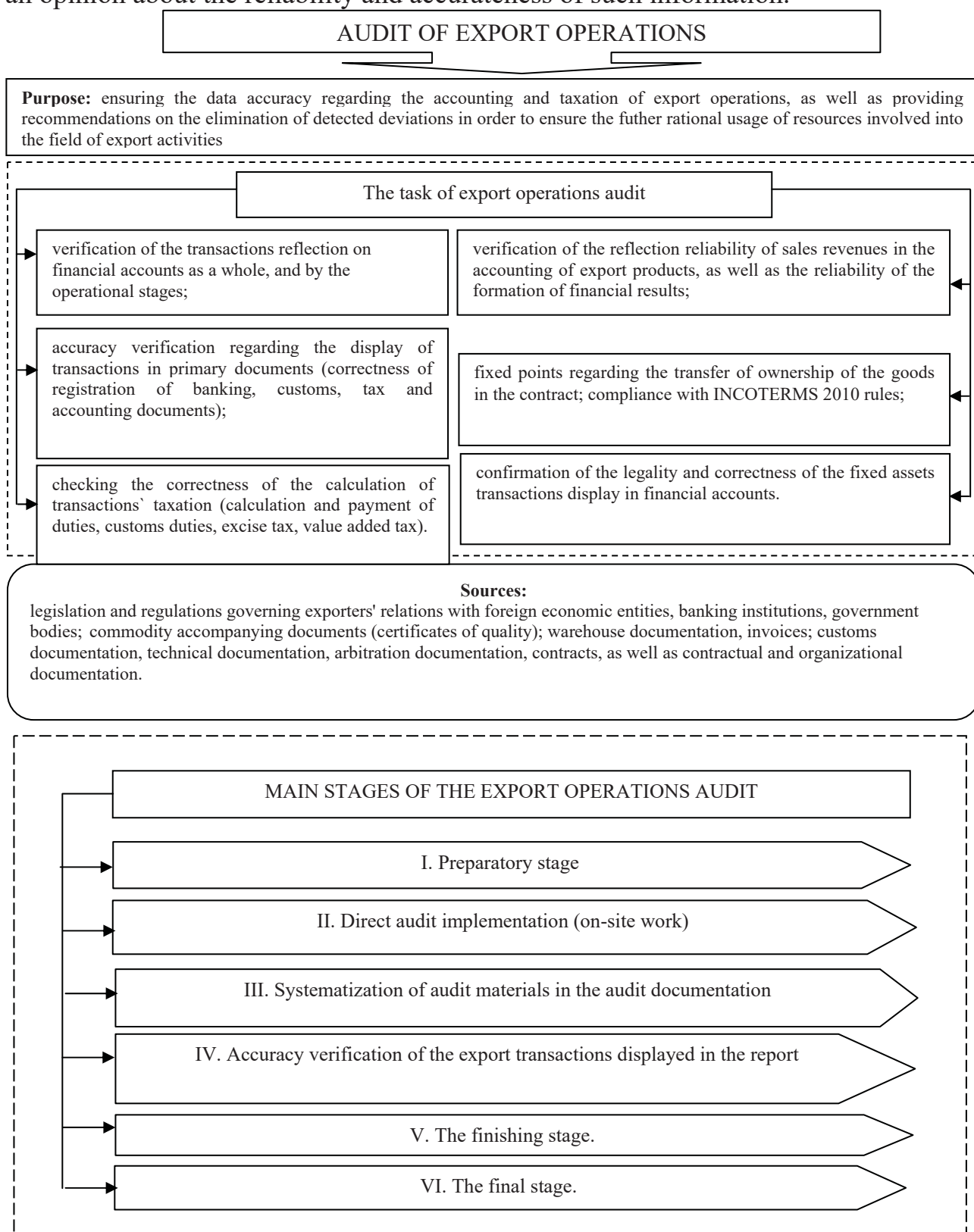


Figure 1. Model of export operations audit organization

Source: developed by the authors using [7, p. 271-277]

Developing a program for the audited entity is the auditor's primary task. Such a program must include the following aspects:

- checking the correctness of accounting records made by the accounting department in order to eliminate the causes of indebtedness and ways of its decrease;
- legality verification of existing receivables and payables and their timely repayment.

In order to solve these problems, to ensure the accuracy of the transactions, as well as their correct reflection in the financial reports, the auditor uses the methods of export transactions verification (Table 2).

Table 2

Methods for auditing export transactions

Method	The content of this method
Documentary	Verification of documents and records regarding transactions in accounting registers (formal, logical and arithmetic verification method is used)
Special verification	Applies if there is a need to involve an expert into the verification process
Counter verification	It is carried out in order to verify the compliance of the audited accounts with the established requirements

Source: developed by the authors using [8]

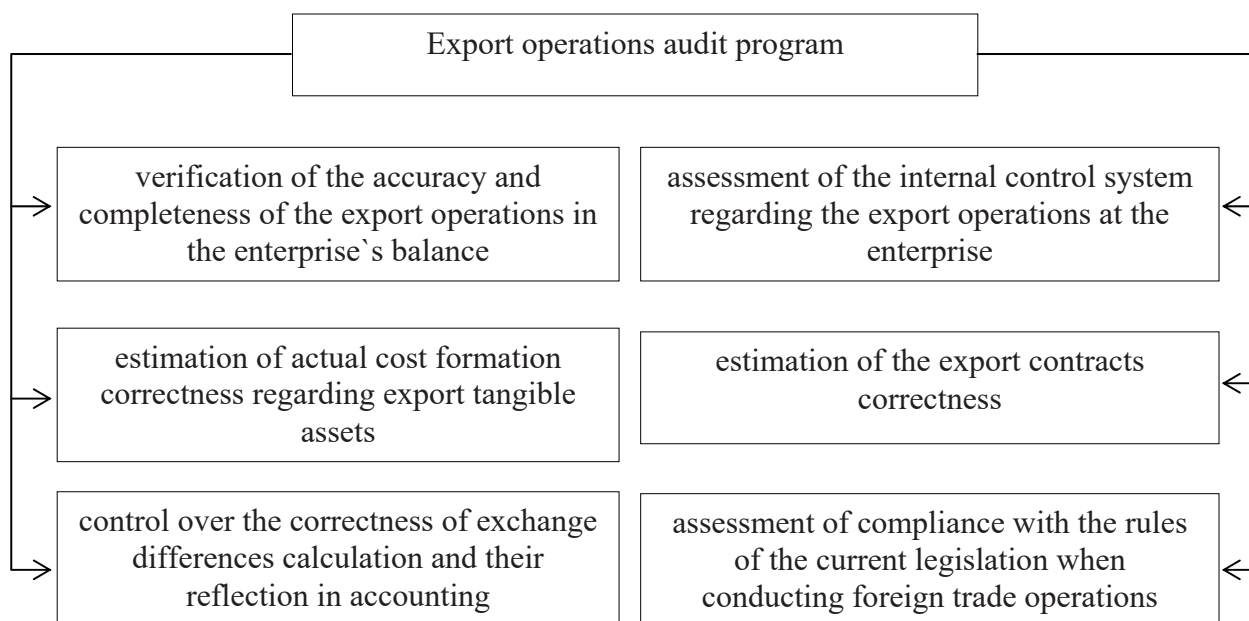


Figure 2. Export operations audit program

Source: developed by the authors using [5, p. 233-237]

The main task of audit is to obtain and find enough evidence in order to express the opinion that the financial reporting are undoubtedly performed in accordance with standard practice and do not contain any deficiencies and inaccuracies, as well as misrepresentation. However, in the course of the audit, the audit risk may arise, a situation where the auditor makes an unqualified audit

conclusion. An audit is effective if it is organized rationally. In any case, the requirements of current accounting and auditing legislation are always taken into account during the development of the audit methodology [1, p. 3-11].

It should be noted that the program for the verification of export transactions includes the following directions (Fig. 2).

Nowadays, audits use international auditing standards which are focused not only on determining the reliability of the financial reports, but also on a thorough analysis of the specifics of the enterprise, its compliance with the law, as well as economic efficiency. Increased attention of the state to the activity of an enterprise involved into foreign trade activities, as well as the specifics of the legislation governing export operations and the variety of export operations forms, all these are the basis for the development of special audit toolkit [12, p. 156]. Currently, the activity of audit organizations is complicated by the shortage of a methodological basis for the development of audit activity in Ukraine, despite the fact that international standards of audit are being introduced gradually, but still there are some complexities of both practical and theoretical nature in the work of audit, which require further development of a conceptual approach to auditing.

Conducting an audit of export operations also includes a thorough economic analysis of the processes related to the sale of goods (works and services) on the foreign market, as well as determining the accordance of the conducted operations with international standards and regulatory requirements.

Audit includes all directions and sections of accounting and that is why, the auditor needs special knowledge in such areas that will help to understand the process of displaying foreign trade operations professionally. The following types of knowledge should be distinguished: the elements of the legal regulation of international commercial contracts and the features of international trade turnover; knowledge of the forms and procedure of international payments; customs, currency and tax legislation; accounting methodology and peculiarities of international accounting [6, p. 201-209].

The correctness of the exchange differences calculation is payed special attention during the audit process. The exchange differences are calculated at the date of the transaction (receipt of revenue) as well as at the date of reporting for the period.

According to the results of the audit based on the detected deviations, as well as the reliability of the financial statements of the company, the auditor formulates the conclusion and independent opinion. In order to improve the quality of audits, as well as to reduce the time and expense of audit organizations, it is necessary to develop internal company auditing standards, which contain a classification of typical accounting errors allowed by exporting organizations, as well as to develop the ways to identify and correct them.

Moreover, in order to have a comprehensive understanding of the subject and object of the audit, the auditor or group of auditors must have the appropriate qualifications, which will also allow them to carry out audit in accordance with current standards. Thus, after studying the works of scientists on the export

operations audit and summarizing their advices and suggestions regarding its conduction, we consider it advisable to create an internal audit department for the constant control over the export operations at the enterprise. The advantage of establishing such a department at an enterprise can be proved by the fact that it will allow the management to carry out effective control over individual units, identify the production reserves and the most promising directions of development, as well as to give recommendations to the financial-economic and accounting departments for improving the results of their work. In order to sum up everything mentioned above, it should be noted that auditing export transactions is a difficult and time-consuming process. The proposed audit program will reduce the audit time and risks, also it will increase the effectiveness of the audit by ensuring the consistency of methodological and organizational approaches.

Conclusions

The export audit process involves a thorough economic analysis of the processes involved into the formation and sale of goods (works and services) at the external market. The state of export operations must meet market needs as well as international standards. Therefore, the purpose of the export operations audit is to identify the nature and content of the exporter's business activity, to evaluate the prospects of export operations development, as well as to identify the areas of possible mistakes in reporting and to evaluate the fulfillment of contractual obligations under the export agreement.

The sphere of audit activity has expanded due to the development of audit services, especially in the field of foreign economic activity, but the issues of export operations audit require further improvement and coordination due to market needs, imperfections of the used methods, complexity and contradiction in many aspects.

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