SECTION 1. ACCOUNTING, ANALYSIS AND AUDIT

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1.1 Regulation of auditing activities and its information security

The process of regulation of auditing activities in different countries mass certain features. In particular, two approaches to the creation of norms can now be defined normative and legal framework for the regulation of audit activity:

- state legislative initiative and state regulation;
- legislative initiative of public professional organizations and regulation jointly with the state.

The first approach to the regulation of audit activity is typical for the countries of continental Europe. That's the point approach consists in the fact that the state itself develops and approves legislative acts and audit standards, registers auditors and audit firms, as well as controls their activities.

The second approach is followed by England, the USA and some others countries, that is why it was called the Anglo-American approach. The main feature of this approach is that the vigilance regulation process is carried out at the initiative of public professional organizations.

In Ukraine, regulation of audit activity has three levels:

- state regulation;
- professional regulation;
- internal regulation [1].

Yes, it was prepared on the initiative of the Union of Auditors of Ukraine and adopted by the Verkhovna Rada of Ukraine on April 22, 1993. The Law «On Auditing» (changes in recent years and additions to it were made three times on 15.12.2005, 19.01.2006 and 14.09.2006). This Law defines the legal basis for auditing activities in Ukraine and is aimed at creating a system of independent financial control in order to protect the interests of users of financial and other economic information. According to Art. 1, the provisions of this Law are effective on the territory of Ukraine and apply to all economic entities regardless of the forms of ownership and types of activity. The effect of this Law does not extend to the audit activity of state bodies, their subdivisions and officials persons authorized by the laws of Ukraine to carry out state financial control.

After the adoption of the Law, the ACU was created for the purpose of its activity which is to promote the development, improvement and unification of audit work in the country. The Audit Chamber of Ukraine (ACU) - functions as an independent independent body, is a legal entity, has its own seal, emblem and other paraphernalia, bank accounts. The activity of the Audit Chamber of Ukraine is regulated by the adopted Statute of the Audit Chamber of Ukraine at the meeting of the APU on 28.10.1993 (new version according to the Decision ACU No. 180 dated 21.06.2007), ACU is a non-profit organization.

Currently, the legally established number of members of the ACU is twenty two persons ACU is formed on a parity basis by delegating to its composition auditors and representatives of state bodies.

Art. 13. The Law «On Auditing» provides for the following procedure of delegation:

1) from state bodies, one representative is delegated by the Ministry of Finance of Ukraine, the Ministry of Justice of Ukraine, the Ministry of Economy of Ukraine, the State Tax Administration of Ukraine, the National Bank of Ukraine, the State Statistics Committee of Ukraine, the State Commission of securities and the stock market, the State Commission for Regulation of Financial Services Markets of Ukraine, the Accounting Chamber and the Main Control and Audit Office administration of Ukraine. 10 persons are delegated;

2) highly qualified auditors are delegated from the auditors in the number of ten persons with continuous at least five years of auditing experience, representatives of professional educational institutions and scientific organizations. The procedure for delegation of representatives to the APU is determined by the Congress of Auditors of Ukraine. Art. 12 of this Law and the Statute of the APU determine the list of powers of the APU. The Audit Chamber of Ukraine can create regional branches on the

territory of Ukraine, their powers are determined by the APU, as well as the adopted Concept of the organization and activity of regional branches of the Audit Chamber of Ukraine (Protocol of meetings of the APU No.178 dated 05.31.07). The powers and duties of the ACU include:

- certification of persons intending to engage in auditing activities;
- approval of audit standards;
- approval of auditor training programs and, in agreement with the National Bank of Ukraine, auditor training programs that will audit banks;
- maintaining the Register of subjects of audit activity;
- monitoring compliance by audit firms and auditors of the requirements of the Law of Ukraine «On Auditing Activities», auditing standards, norms of professional ethics of auditors;
- implementation of measures to ensure the independence of auditors when they conduct audits and organize control over the quality of audit services;
- regulation of relations between auditors (auditing firms) in the process of auditing activities and in if it is necessary to apply penalties to them;
- exercise of other powers provided for by the Law of Ukraine «On Auditing» and the Charter of the Audit Office chambers of Ukraine.

Members of the APU perform their duties on public grounds. The following permanent commissions have been established in the ACU: Certification Commission and improvement of auditor's professional knowledge, Standards Commission audit and quality control, Disciplinary Commission, Commission on issues legislation, legal regulation and information support audit activity, from professional national and international connections In Art. 18 of the Law of Ukraine «On Auditing» it is stated that auditors of Ukraine have the right to unite in public ones organizations on professional grounds, as well as defined general powers of professional organizations of auditors. Today, the professional association is the Union of Auditors of Ukraine [2].

The Union of Auditors of Ukraine (UAU) is a public association, which unites active auditors on a voluntary basis. Goal activities of the UAU – to unite the efforts of auditors to protect their legal rights and interests and to promote the development of auditing activities in Ukraine, raising the professional level of auditors. In its activities, the UAU is governed by the UAU charter. Thus, the management of audit activities is a process of regulating the work of audit firms, auditors who provide audit services individually, and the entire audit community in the state in order to comply with uniform methodological requirements (Pic. 1).

Picture 1 – Audit Management System

The activity of auditors in Ukraine, as well as in other market countries economy, regulated on the basis of laws. In modern conditions, auditing activity in Ukraine is regulated by the Law of Ukraine «On Auditing Activity» No. 3125 of April 22, 1993. According to Art. 2 of this Law, audit activities in the field of financial control are regulated by the Economic Code of Ukraine, this Law, other normative legal acts and audit standards in cases where an international treaty, the binding consent of which was granted by the Verkhovna Rada of Ukraine, establishes other rules than those , which this law contains, the rules of the international agreement are applied. Peculiarities of conducting other types of auditing activity is regulated by special legislation. Audit standards:

- these are general governing norms and rules to help auditors in the performance of their duties for conducting inspections and regulating the basic principles and features of audit activity. According to Art. 6 of the Law of Ukraine «On Audit Activity», auditors and audit firms apply appropriate audit standards when performing audit activities.

Auditing standards are adopted on the basis of auditing standards and ethics of the International Federation of Accountants with compliance this Law and other legal acts.

Approval of audit standards is the exclusive right of the Audit Chamber of Ukraine. In cases provided by law, auditing standards are agreed with other entities. Audit standards are mandatory for compliance by auditors, audit firms and business entities.

Auditing standards form uniform requirements that define norms and rules for audit quality and reliability and provide a certain level of guarantee of audit results if they are followed.

The quality of professional activity is regulated on the basis of standards auditors Training programs are formed with their help and uniform requirements for certification of auditors. Auditing standards are the basis for evidence in court of the quality of the audit and determining the extent of auditor’s responsibility. The standards define general approaches to conducting an audit, the scope of the audit, types of auditors' conclusions, methodological issues, the main principles of which should be followed by representatives of this profession.

The standards define general approaches to auditing, scope of inspection, types of auditor’s conclusions, methodology issues, the main principles of which should be followed by representatives of this profession. Depending on the economic conditions, additions are issued to the generally accepted standards, which must be observed by the auditors, and the reasons for the deviations must be commented on [3].

National audit standards (normatives) exist in each country, which is determined by the specifics of accounting reporting, economic development, regulation economy. National audit standards (NAS) are documents that regulate the process of establishing and applying a set of rules (principles) regarding the organization and methodology of auditing. In accordance with the Law of Ukraine «On Audit Activity» (Article 14), the APU develops and approves National Audit Standards, which are mandatory for all auditors to follow. At one time, by its decision No. 73 dated 18.12.1998, the ACU approved the «National Audit Standards» and the «Code of Professional Ethics of Auditing Subjects». Only an auditor can be a manager.

International auditing standards define the concept of international audit standards, as a set of audit standards defined by law or regulations or a regulatory body at the national level, the application of which is mandatory and which should be observed when conducting an audit or providing related services. Local regulation of international standards should be carried out in each country in accordance with the practice developed during the audit of financial information. On behalf of the board of the International Federation of Accountants (IFAC), the International Auditing Practice Committee (APC) is engaged in issuing international audit standards and related work. their structure includes the following standards:

- International auditing standards (MCA 100-999).
- Provisions on international audit practice (PMPA 1000-1100).
- International standards of review tasks (MSZO 2000-2699).
- International standards of assurance engagements (MSZNV 30003699).
- International standards of related services (MSSII 4000-4699).

In addition to audit standards, assurance and related to the last edition of 2006, which are called "International Auditing, Assurance and Ethics Standards" includes: General information on the International Federation of Accountants, Code of Practice for Professional Accountants, Glossary of Terms, International Quality Control Standard 1, International Conceptual Framework for Assurance Engagements. In the system of regulatory regulation of audit activity, an important role belongs to the Internal Standards of Audit Firms (IAFS), which are understood to be documents detailing and regulating uniform requirements for the implementation and execution of an audit, accepted and approved by the audit firm. And when forming a system of internal rules, audit firms enjoy relative freedom, since this is the task of the firm itself. (Pic. 2).

Picture 2 – Management audit

Internal audit standards (IAS) are a set principles, methods, techniques and methods used by an audit firm to provide audit services, compile and provide their results, based on the rules and specifics of the audit firm's activities. The application of BSA in the activities of auditing firms is a very relevant problem in today's environment, as they are the basis of further professional growth of the firm, increasing its rating and competitiveness in the market of auditing services. The need for the development of the BSA is caused by the use of individually developed additions, explanations, interpretations and generalizations of the existing regulations by various audit firms documents or existing standards [4].

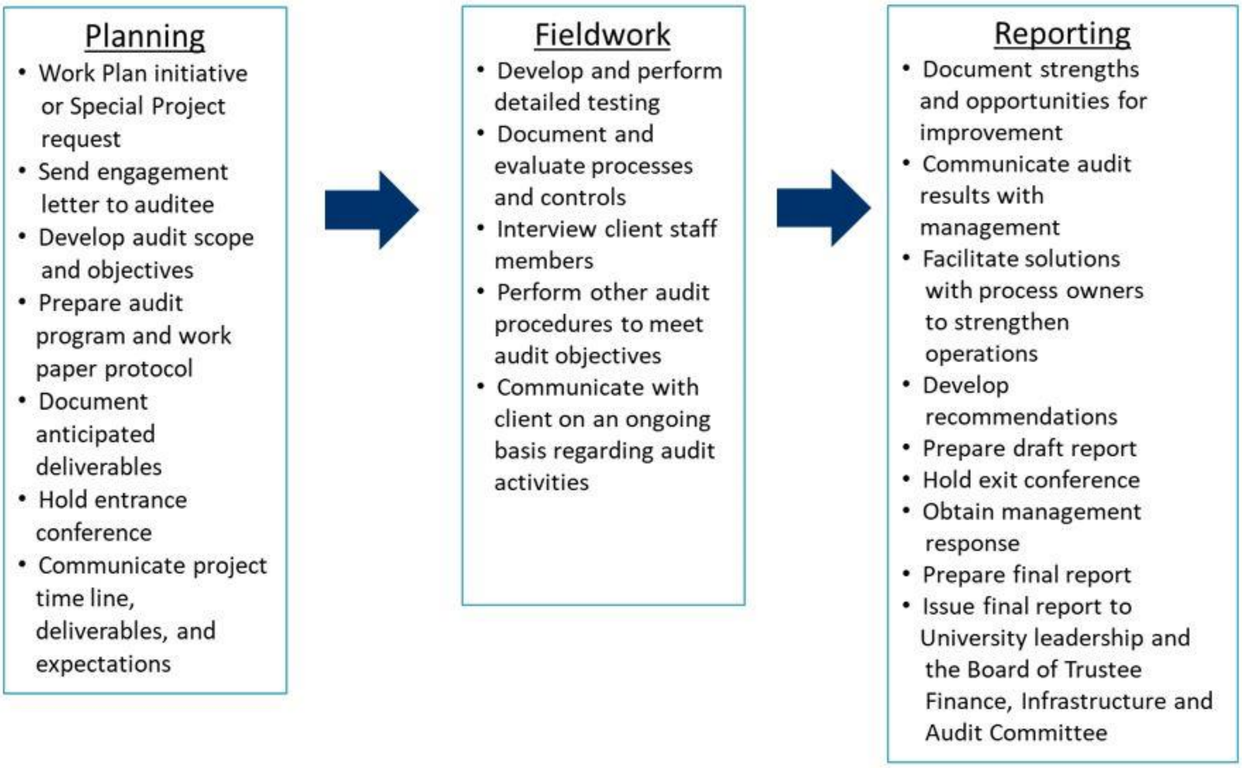
The significance of the SAA is that they:

- promote compliance with current legislation and standards
- auditing activity;
- improve and rationalize the organization and process of provision
- auditing services;
- ensure the connection of separate elements of the audit process;
- help to reduce the labor intensity of audits services;
- ensure high quality of audits;

- promote the use of the latest in audit activity scientific developments; create an audit office image firms;
- help the auditor to negotiate with the customer.

The development of internal audit standards is conditional are divided according to certain directions, as a result of which the following are created:

- standards relating to the professional culture of auditors;
- standards regulating intra-firm document flow;
- standards providing the audit methodology and provision of related audit services (Pic. 3).



Picture 3 – The internal audit process

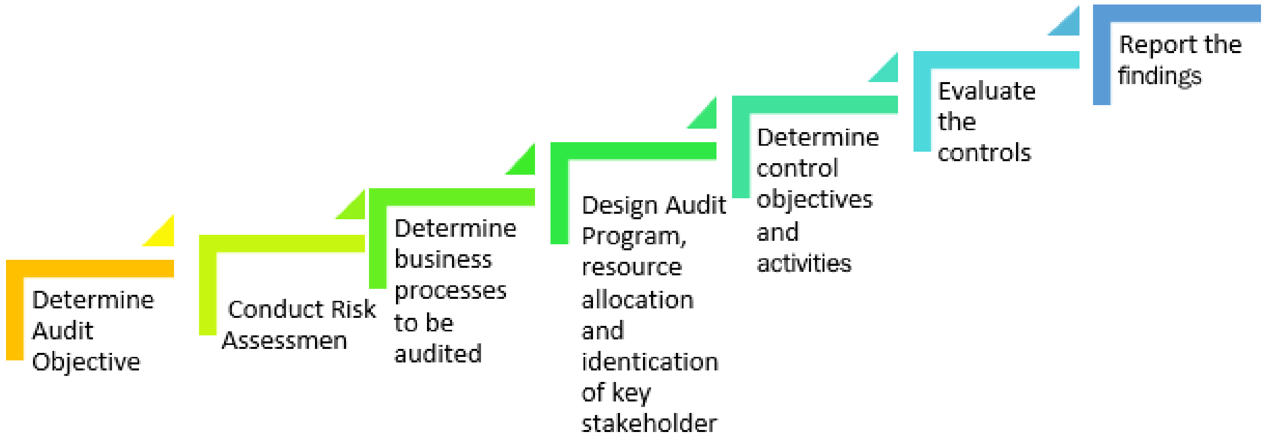
Internal audit standards should:

- be tested in the process of audit activity, so that they did not have to be changed in the course of auditing services;
- provide a unified approach to audit in the auditor's office the company;
- be individual and constitute commercial information for each audit firm [5].

Auditors have the right to perform audit activities firms included in the Register of audit firms and auditors. The total share of the founders (participants) of the audit firm, who are not auditors, in the authorized capital cannot exceed 30%.

Specialized audit firms perform a narrower range of work and focused only on certain types of them (for example, audit inspections, consultations, personnel training). According to specialization and size of audit firms, the structure of the firm is developed and its staffing is determined.

Audit firms depending on the range of audit firms services are divided into universal and specialized. Universal audit firms provide services from various types of audits, the scope of their activity is quite broad (by geography, by branches of the national economy, by the scope of client's business) (Pic. 4).



Picture 4 – Information systems auditor study

Standardization of auditor's work is a process of establishing a measure labor costs for the performance of certain volumes of work for a certain period of time.

At the same time, labor intensity can be expressed either directly in the time spent by a worker of the required qualification to perform a unit of work (time rate), or through the determination of the number of workers required to perform the entire volume of work for a specified period. Establishing the normative labor intensity of work becomes the basis for planning the work of an audit firm. Assessing the quality of auditor's work.