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## AUDIT OF SETTLEMENTS WITH SUPPLIERS AND CONTRACTORS: THE MAIN STAGES OF ITS IMPLEMENTATION AND THE SPECIFICS OF PERFORMING AUDIT PROCEDURES

**Abstract:** *The article discusses the features of conducting an audit of settlements with suppliers and contractors. The main factors influencing the organization of the audit, the main stages of the audit and the risks are highlighted. Taking into account the international standard on auditing, which regulates audit planning, the stages of the audit are highlighted and the main audit procedures for the audit of settlements with suppliers and contractors, including the audit of accounting and tax accounting, are considered.*

**Key words:** *audit stages, audit planning, audit procedures, suppliers and contractors, risks, international audit standards, accounting and tax accounting.*

**Language:** *English*

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### Introduction

Settlements with suppliers and contractors have always been an important part of the economic activity of any organization. They are of particular importance in modern conditions during the crisis. Crisis factors affecting the activities of any organizations determine the options for cooperation and interaction of the parties within the framework of contractual relations with counterparties, including suppliers and contractors. Such factors include current inflation, deferred payments or, conversely, the requirement of a one-hundred-percent prepayment from the supplier, violation of the terms of delivery or provision of services, as well as payment terms both due to bad faith of the counterparty, and for objective reasons that do not depend on the counterparties (force majeure, currency exchange rate changes, foreign state policies, changes in legislation, etc.), etc. In addition, settlements with suppliers also affect the

amount of two significant taxes: value added tax and income tax.

Thus, payments to suppliers and contractors pose continued risks for organizations that influence the availability of reserves, taxes, damages caused by third parties, etc. including small the companies have different risks associated with the level of qualification of the accountant, non-system transactions with suppliers and others [1]. It is also important to take into account the impact of such risks from the point of view of assessing the possible bankruptcy of organizations, as well as when choosing tools for managing the risks of bankruptcy of an organization [2].

Internal risks include, for example, the lack of primary documents from suppliers and the lack of proper control over settlements with them. External risks include competition in the market, as well as crisis factors and their consequences. It is very important to be able to determine in a timely manner

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the maximum permissible level of materiality of the negative impact and threatening factors of crisis manifestations by analyzing various indicators [3].

In modern economic conditions, the main problem for the heads of commercial structures is the counteraction and timely prevention of negative factors affecting the economic condition of the enterprise. One of the most important areas of solving the problem is the adoption of a set of strategic decisions taking into account risk factors [4].

As you can see, the results of the audit will be important for the work of the accounting service, and for making various management decisions.

This explains the reasons why much attention is paid to the audit of contracts with suppliers and contractors.

According to the international standard Audit No. 300 "Planning the audit of Financial Statements" (hereinafter referred to as ISA No. 300), when planning the procedure for conducting an audit, an audit organization should be guided by both general and specific audit principles. The standard describes the general approach and basic principles when planning an audit, and the specific types of work and audit procedures for them may differ significantly depending on the following factors: the structure and scope of the audited entity; the types of its activities; the tax system; the types of settlements with suppliers; availability of new and permanent counterparties; currency transactions, etc.

Thus, based on the various risks and crisis factors mentioned above, and their impact on the formation of accounting and reporting data, we can identify the main stages of conducting an audit of this section of calculations: 1. Study of contracts; 2. Study of the structure of accounts receivable and payable; 3. Check of documents confirming transactions with suppliers and contractors, including checking the completeness and timeliness of settlements; 4. Check of the correctness of accounting for transactions with suppliers and contractors; confirmation of the completeness and reliability of the amount of outstanding payments with suppliers and contractors; 5. Verification of the validity of accepted and submitted claims to suppliers and contractors; 6. Verification of the reflection in the accounting of value added tax submitted by suppliers and contractors (hereinafter referred to as suppliers).

Let's take a closer look at some of them. In the study of contracts auditors pay attention to the following features: stable connection with the same suppliers (contract renewed from year to year); new types of contracts with old suppliers and change the order of calculations with them; the emergence of new suppliers (the validity of the conclusion of agreements with them and especially the calculations and conditions of supply and performance of services).

Based on this, an audit sample of counterparties is formed.

After selecting the audit sample, the status of settlements with suppliers is analyzed. In particular, the auditor pays attention to the presence and duration of accounting for accounts receivable and payable, analyzes the amount of debt; the reasons for its occurrence; identifies overdue debt, etc.

In parallel with these types of work, the availability of supporting primary documents submitted by suppliers and the correctness of their registration are checked. For example, acts of work performed, invoices, transport invoices, commodity-transport invoices, invoices, UPD (universal transfer documents), internal documents, procurement acts, acts of offset of mutual claims, etc. are checked. At this stage, a basis is formed for confirming the cost of inventory, goods, works and services and the validity of the amount of expenses accounted for for taxation, including paying attention to confirming the reality of transport costs and the legality of their reflection in accounting as part of the cost of inventory, and on a separate accounting account (checking the fact of the provision of transport services and their documentation) [5].

The auditor should check the correctness of the accounting entries in the accounting, while paying attention to standard and non-standard transactions, including mutual settlements, etc. Checks the organization and maintenance of analytical accounting for each supplier, contract, etc.

The auditor verifies not only the fact of the completion of works, services or the delivery of goods, finished products, but also the fact of making calculations. To do this, we study bank, cash documents, advance reports, acts of mutual settlements, bills of exchange, etc.

The confirmed data on accounts receivable and payable, the performance of the audit procedures and types of work described above will help the auditors to make a conclusion about the validity of the accepted and submitted claims. And also about the fullness and reliability of the amount of debt.

Special attention is paid to the verification of the validity and legality of accounting for VAT presented to suppliers.

It checks both VAT on received inventory items, works and services, and VAT on advances paid to suppliers. It checks the availability and correctness of the invoices submitted by the suppliers and the correctness and completeness of the VAT reflection on these transactions in the accounting (accounting and tax).

As you can see, this section of the audit is extremely important and quite time-consuming.

However, careful planning of work and the most complete choice of audit procedures for this site will allow you to form a reasonable objective opinion about the reliability of accounting data and financial (accounting) statements in terms of settlements with suppliers and contractors.

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