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BEZVERKHYI Kostiantyn,

PhD (Economics), Associate Professor,
Associate Professor at the Department of
Financial Analysis and Audit
State University of Trade and Economics
19, Kyoto St., Kyiv, 02156, Ukraine
ORCID: 0000-0001-8785-1147
k.bezverkhyi@knu.edu.ua

PODDUBNA Nataliia,

PhD (Economics),
CAP, ACCA DipIFR, CIA, Senior Auditor at the
Department of Internal Audit, Management
Office PJSC "UKRNAFTA"
3-5, Nestorivskyi Lane, Kyiv, 04053, Ukraine
ORCID: 0000-0001-7591-5377
poddubna.nataliia@gmail.com

AUDIT CONSULTING: EU PRACTICE

The dynamism of globalization processes, constant changes in legislation, the existence of variability, and sometimes contradictions in the interpretation of legislation and standards of regulating accounting, reporting and auditing, are real challenges facing both domestic and foreign businesses. In such conditions, professional assistance in establishing business processes of an economic entity, carrying out its optimization and transformational changes, assessing and managing risks is an integral part of business stability and sustainable economic development. Audit consulting, as one of the separate types of economic activity of the subjects of audit activity, is precisely the necessary and effective tool that helps businesses quickly navigate and adapt to a dynamic business environment. This is why audit consulting is becoming an important lever for supporting enterprises in achieving their business goals and ensuring financial stability. The aim of the study is to reveal the essence, purpose, and objectives of audit consulting, to develop the theoretical foundations of audit consulting, considering international experience of its implementation in domestic practice. The information base of the article were the works of domestic and foreign scientists in the field of activity of auditing entities and the search for alternative ways to increase their value for business and society as a whole. During the research, general scientific and special methods were used: theoretical generalization and grouping, formalization, analysis and synthesis; logical generalization of the results. The author's approach to revealing the conceptual basis for the

БЕЗВЕРХИЙ Костянтин,

к. е. н., доцент, доцент кафедри
фінансового аналізу та аудиту
Державного торговельно-економічного
університету
вул. Кіото, 19, м. Київ, 02156, Україна
ORCID: 0000-0001-8785-1147
k.bezverkhyi@knu.edu.ua

ПОДДУБНА Наталія,

к. е. н.,
CAP, ACCA DipIFR, CIA, старший аудитор
Департаменту внутрішнього аудиту
Апарату Управління ПАТ "Укрнафта"
Несторівський провулок, 3-5, м. Київ,
04053, Україна
ORCID: 0000-0001-7591-5377
poddubna.nataliia@gmail.com

AУДИТОРСЬКИЙ КОНСАЛТИНГ: ПРАКТИКА ЄС

Динамічність глобалізаційних процесів, постійні зміни в законодавстві, існування варіативності, а інколи й розбіжність у трактуванні законодавства та стандартів з регулювання обліку, звітності та аудиту, є реальними викликами, що постають як перед вітчизняним, так і закордонним бізнесом. У таких умовах професійна допомога щодо налагодження бізнес-процесів суб'єкта господарювання, проведення оптимізаційних та трансформаційних змін, оцінка та управління ризиками є невіддільною частиною стабільності бізнесу та сталого розвитку економіки. Аудиторський консалтинг як один з окремих видів економічної діяльності суб'єктів аудиторської діяльності є саме тим необхідним і дієвим інструментом, що допомагає бізнесу максимально швидко орієнтуватись та адаптуватись у динамічному бізнес-середовищі. Саме тому аудиторський консалтинг стає важливим важелем для підтримки підприємств у досягненні їхніх бізнес-цілей і забезпеченні фінансової стабільності. Метою дослідження є розкриття сутності, мети та завдання аудиторського консалтингу, розроблення теоретичних основ аудиторського консалтингу з погляду міжнародного досвіду імплементації його у вітчизняну практику. Інформаційною основою статті є розробки українських та закордонних учених у сфері діяльності суб'єктів аудиторської діяльності та пошуку альтернативних шляхів підвищення їх цінності для бізнесу та суспільства загалом. Використано загальнонаукові та спеціальні методи: теоретичного узагальнення та групування,



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construction and implementation of audit consulting in domestic reality has been formed. Audit consulting is the process of providing businesses and organizations with professional assistance and advice on issues related to auditing, financial transactions, optimization of financial reporting, tax issues and management decisions. Audit consulting is based on compliance with certain principles that ensure efficiency, reliability and objectivity of the process of providing consulting services to clients. In an inevitable prospect, the development of audit consulting may be an important task for audit firms and auditors working in this field.

Keywords: audit, internal audit, subjects of audit activity, audit consulting, type of economic activity, sustainable development, consulting.

формалізації, аналізу та синтезу; логічного узагальнення результатів. Сформовано авторський підхід до розкриття основи побудови й реалізації аудиторського консалтингу у вітчизняній реальності. Аудиторський консалтинг – це процес надання підприємствам та організаціям професійної допомоги й консультацій з питань, пов'язаних з аудитом, фінансовими операціями, оптимізацією фінансової звітності, податковими питаннями та управлінськими рішеннями. Аудиторський консалтинг ґрунтується на дотриманні певних принципів, що забезпечують ефективність, надійність та об'єктивність процесу надання консультаційних послуг клієнтам. У перспективі розвиток аудиторського консалтингу може стати важливим завданням для аудиторських фірм та аудиторів, що працюють у цій галузі.

Ключові слова: аудит, внутрішній аудит, суб'єкти аудиторської діяльності, аудиторський консалтинг, вид економічної діяльності, сталий розвиток, консалтинг.

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Introduction

Increased competition, changes in the market and economic challenges create difficult conditions for business entities. To ensure their viability they need resources and more efficient financial management. Business entities are faced with a growing volume of legislation and standards governing accounting, finance, and auditing. Audit consulting helps to meet these requirements and avoid possible problems. With the development of global markets and the growth of international business, auditing and financial management issues have become more complex due to the diversity of national regulations and approaches. Businesses need to continually conduct risk assessment and risk management. Audit consulting can help identify and reduce risks. Audit consulting includes not only auditing, but also many other aspects, such as tax optimization, strategic planning, financial analysis and much more. This allows businesses to receive comprehensive support. In recent decades, technology has significantly changed business processes and data analytics capabilities. Subjects of audit activity can help enterprises implement new technologies and analytical tools. Overall, with rapid changes in the market and difficult economic conditions, audit consulting is becoming an important tool to support enterprises in achieving their business goals and ensuring financial stability.

In addition to auditing financial statements, SAA¹ can provide business entities with a wide range of services. Therefore, to designate these

¹ In this article authors used both terms "Auditing entity" and "Subjects of audit activity" (hereinafter referred to as SAA) as they are synonyms and are interchangeable in most cases. Auditing entity means a person or company that performs audit (This term is widely encountered in foreign practice/literature). In Ukrainian legislation is widely used term "Subjects of audit activity" which means an audit firm, or auditor that meets the criteria: carries out auditing activities as an individual entrepreneur or carries out independent professional activities; received the right to carry out audit activities on the grounds and in the manner provided for by local Law; registered in the Register as a subject of audit activity (About the audit of financial statements and audit activity, 2017).

audit services (except for the audit of financial statements), it would be advisable to justify the existence of such a type of activity as audit consulting, which is currently absent in domestic legislation.

The study of problematic issues in audit consulting is common among foreign and domestic researchers. But in recent years this issue has not been raised among domestic authors. A collective of Iraqi researchers Abass et al. (2022). The analysed relationship between audit services and non-audit actuarial services in the auditor's report. Abdul Wahab et al. (2021, p. 23–48) define Internal Auditing Outsourcing and Nonaudit Services. Foreign authors Ahmed et al. (2022, p. 967–992) consider non-audit services and auditor independence in stable and unstable economic conditions. A collective of Nigerian authors Akhor et al. (2023, p. 326–333) investigate the effect of non-audit services on audit quality. Jordanian researcher Al-Sraheen (2019, p. 349–361) defines the role of the audit committee in moderating the negative effect of non-audit services on earnings management among industrial firms listed on the Amman Stock Exchange. Italian authors Albano & Santocchia (2022, p. 145–163) carried out a study to find out cases of bid rigging in centralized procurement of audit consulting services in Italy. Alsadoun et al. (2018, p. 1–24) investigated auditor-provided tax non-audit services. Beardsley et al. (2021, p. 1–24) present Evidence of Increased Focus on Nonaudit Services and their Impact on Audit Quality. At the same time, a team of Belgian researchers Betti et al. (2023) considered the impact of using data analytics and consulting activities on the quality of internal audit. At the same time, a group of American authors Burton et al. (2015, p. 115–140) analyse the impact of using the internal audit function as a training ground for management or as a consulting service provider to improve the recruitment of internal auditors. The collective of American authors Ciconte et al. (2022, p. 141–164) investigate investments in non-audit services provided by auditors and future operational performance. At the same time, a group of American authors Cowle et al. (2022, p. 135–168) discuss client advisory capabilities and the re-emergence of Big Four consulting practices and describe implications for the audit market. Donelson et al. (2020) explore the revival of large consulting practices in the Big Four and audit quality. The team of German scientists Eilifsen et al. (2018, p. 298–316) study investors' perceptions of non-audit services and their type in Germany. A group of American authors Friedman & Mahieux (2021, p. 959–1020) determine how is the audit market affected by characteristics of the non-audit services market. A group of German authors Friedrich, Quick (2024) analyses do non-audit service failures impair auditor reputation. Foreign authors Hao et al. (2023, p. 1327–1349) characterize corporate social responsibility and non-audit service fees. Hermanson et al. (2019, p. 179–203) provide the cases of non-audit service purchases. Ho (2021) studies local competition and auditors' provision of non-audit services. Kamarudin et al. (2019,

p. 167–198) analyse non-audit services and the corporate governance of audit clients. Kang (2017, p. 212–221) ask the question do family firms purchase more non-audit services than non-family firms. Kowaleski et al. (2018, p. 673–711) evaluate the impact of consulting services on audit quality. Lisic et al. (2019, p. 1028–1054) determine whether the income of consulting firms influences the quality of audit. At the same time, a group of Dutch researchers Meuwissen & Quick (2019) study the impact of non-audit services on auditor independence. A team of Ukrainian scientists Nazarova et al. (2021, p. 4–15) study the market of audit services in Ukraine. Foreign authors Nik Abdul Majid, Abdul Wahab et al. (2022, p. 146–162) characterize non-audit services. Quick (2022, p. 18–22) asks the question, do prohibitions of non-audit services and an expanded auditor liability improve audit quality? Che et al. (2021) answer the questions are partners' remuneration and audit quality related to their consulting revenues? Chen et al. (2019, p. 132–147) considers types of non-audit service fees and earnings response coefficients in the post-sarbanes-oxley era. A team of South Korean authors Choi & Lee (2015, p. 1889–1898) determine the impact of non-audit consulting services on cost of debt. At the same time, Ukrainian researcher Sharkova (2011, p. 122–126) considers the paid provision of consulting services (consulting) in the field of audit. A team of American researchers Shi et al. (2023, p. 804–832) determine Non-Audit Services in Audit Committee Interlocked Firms. A collective of Indian authors Tiwari & Debnath (2021, p. 153–165) investigate Joint Provision of Non-audit Services to Audit Clients. Van Liempd et al. (2019, p. 1–19) analyse auditor-provided non-audit services. Willoughby et al. (2012, p. 411–429) characterizing the effects of the provision of consulting services on audit reporting quality. A collective of Indonesian authors Zarefar et al. (2023) determines the moderating effect of political connection on the relationship between non-audit services and accounting quality.

Despite the growing attention of foreign researchers to this issue, it should be noted that the cited works mention audit consulting practices and services, but there is no disclosure of the essence, purpose and composition of audit consulting.

The purpose of this study is to develop the theoretical foundations of audit consulting based on international experience in its implementation in the domestic practice of audit consulting.

According to the set goal, we have formed the following research objectives: to determine the essence of audit consulting; to formulate the purpose of audit consulting; to find out the main aspects of audit consulting; to highlight the advantages and disadvantages of audit consulting.

The hypothesis of the study is that the development of the theoretical foundations of audit consulting will ensure it effective implementation in Auditing entity's practical activities.

Information base of the research is the scientific works of Ukrainian and foreign researchers on audit consulting, analytical reviews of international institutions.

Authors used general scientific and special methods for studying processes and phenomena in their interconnection and development, namely: trend analysis was used to substantiate the relevance of the research topic; the dialectical method was used in determining the economic essence of the concept of "audit consulting"; induction and deduction were applied in the formulation of goals, objectives, principles of audit consulting; the analogy method was used to form the composition of subjects of audit consulting; the grouping method was applied to develop a classification of audit consulting; analysis and synthesis were used to highlight the advantages and disadvantages of audit consulting; a hypothetical method was used to construct the research hypothesis used. A bibliographic and bibliometric analysis of publications on this topic was carried out, and the visualization of the research results was achieved by a graphical method, in particular, tables and figures. To form the results of the research results and conclusions, the method of systematization and generalization was used.

It is advisable to formulate a comprehensive understanding of the main trends in changes among stakeholders in matters of audit consulting using the trend analysis presented in *Figure*. This analysis was formulated using Google Trends tools (Google Trends, 2023) for the period from January 1, 2004, to November 17, 2023, aimed at identifying patterns of changes in the search trend of Google search engine users for four main concepts ("Audit consulting", "Related audit services", "Non-audit services", "Consulting services of auditing companies"), which most often explain audit consulting.

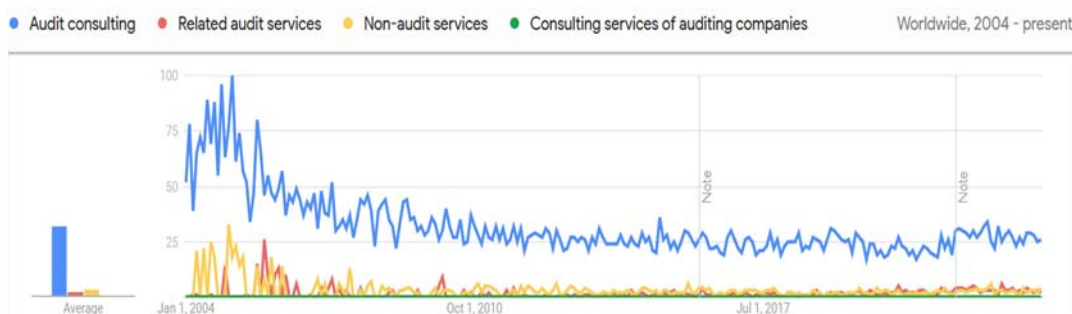


Figure. Dynamics of changes in search frequency by category of audit consulting in the world according to Google Trends for the period from January 1, 2004 to November 17, 2023

Source: compiled by the authors using Google Trends tools.

It should be noted that a feature of this type of trend analysis is the relative comparability of its results. This means that when constructing a graphical interpretation of a trend, the maximum value of search activity for the selected concept is considered to display the content requested by Internet users.

For example, among the four selected categories, the term "Audit consulting" was the most popular; at the same time, the largest number of queries occurred in September 2004, as can be seen in Fig. 1, while the rest of the searches for the intensity of the other categories under study will be calculated exactly with respect to this maximum value.

Thus, based on the results of trend analysis, we can conclude that the interest among Internet users in certain issues has been at a consistently high level for more than 19 years. The term "Audit consulting" is the most frequently used in the entire sample, the search frequency for "Consulting services of auditing companies" is the lowest, and the search frequency for such definitions as "Non-audit services" and "Related audit services" is average in popularity.

Therefore, it is proposed to consider audit consulting as a separate type of Auditing entity's activity.

1. The essence of audit consulting

The end-of-year report of the European Commission, Ukraine 2023, contains recommendations for the start of negotiations on Ukraine's accession to the EU, in particular, it notes Ukraine's progress in implementing audit reforms. At the same time, in Section 6 – Corporate Law of the annual report of the European Commission "Ukraine 2023" (Ukraine 2023 Report, 2023) it is noted that the amendments made in September 2022 to the Law of Ukraine "About the Audit of Financial Statements and Audit Activities" (2017) are aimed at further approximation EU legislation in this area, including regarding certification of auditors, quality control of audit services, special requirements for mandatory audit of enterprises of public interest. Therefore, audit consulting, which is carried out in Ukraine, must be adapted to the requirements of the countries of the European Union, which will allow to be competitive in the audit services market, not only in Ukraine, but also abroad.

First of all, it is necessary to determine what the term "consulting" means and how it is regulated at the legislative level. Consulting (from Latin *consulto* – I advise) – consulting manufacturers, sellers and buyers on issues of management and organization of economic activities of enterprises, firms and organizations. Carried out by consulting firms providing services for market research and forecasting, assessment of export-import operations, development of feasibility studies for objects of international cooperation and the creation of joint ventures, conducting marketing research and developing marketing programs, export strategies in specific markets, etc. (LIGA360: Accountant (Professional), 2023). At the same time, in the Law of Ukraine "On public procurement" dated 01.06.2010 No. 2289-VI, consulting services are determined as intellectual, intangible activities, the results of which are

not physically visible, including auditing, legal, consulting services, related to consulting, examination, assessment, preparation of conclusions and recommendations, training services, training of specialists (On the implementation of public procurement, 2010). Should be noted, the above law has lost force, so today there is no legislative regulation of this term.

At the same time, the International Standards for the Professional Practice of Internal Auditing (International Standards for The Professional Practice of Internal Auditing, 2017) contain an interpretation of the term "consulting services", namely Consulting services are advisory in nature and are generally performed at the specific request of an engagement client. The nature and scope of the consulting engagement are subject to agreement with the engagement client. Consulting services generally involve two parties: the person or group offering the advice – the internal auditor, and the person or group seeking and receiving the advice – the engagement client. When performing consulting services, the internal auditor should maintain objectivity and not assume management responsibility (International Standards for The Professional Practice of Internal Auditing, 2017).

Should turn to the types of economic activities that can reveal the concept of "audit consulting". Types of activities for Auditing entity, recommended by the Audit Chamber of Ukraine are presented in the *Table 1*.

Table 1

Types of activities for the application of KVED²-2010 for Auditing entity according to the recommendations of the Audit Chamber of Ukraine

KVED-2010	Name KVED-2010	Characteristics of activity
58	Publishing activities	Publishing activities
62.00	Computer programming, consulting and related activities	Computer programming, consulting and related activities
63.99	Providing other information services	This class includes the provision of other information services not classified by other groups: <ul style="list-style-type: none"> • provision of information services by telephone using computer technology; • provision of information retrieval services for a fee or on a contract basis; • provision of services for the selection of news and materials from the press (media monitoring), etc.
66.19	Other support financial services activities other than insurance and pensions	Investment advisory services
68.20	Providing for rent and operation of own or leased real estate	Providing for rent and operation of own real estate
68.31	Real estate agency	Providing, for a fee or on a contract basis, consulting services and real estate valuation services related to its purchase, sale or rental

² KVED is means codes of types of economic activity.

KVED-2010	Name KVED-2010	Characteristics of activity
69.10	Legal activities	This class includes legal representation of the interests of one party opposing the other party in courts or other judicial bodies, both personally by members of the bar and under their leadership, general consultations and drafting of legal documents: certificates of registration of enterprises, charters of enterprises and other documents related to the creation of enterprises, activities of public and private notaries, the Court of Arbitration, experts and arbitrators
69.20	Activities in the field of accounting and auditing; tax consulting	This class includes accounting of commercial transactions of companies and individuals, preparation or audit of financial accounts, checking accounts and confirming their accuracy, preparation of tax returns for individuals or businesses, consulting services and services for representing clients in tax authorities
70.22	Consulting on business and management issues	The provision of commercial services may include consulting, management and organizational support to companies and organizations regarding
74.90	Other professional, scientific, and technical activities	This class includes activities that provide a broad range of services that are typically provided to commercial customers. These include those activities that require a high professional, scientific and technical level, but do not include routine, routine functions and usually do not require much time
78.10	Activities of employment agencies	Consulting services on filling vacancies and personnel search
82.11	Providing combined office administrative services	This class includes the provision of comprehensive day-to-day office administrative services such as mail receiving services, financial planning, billing, and record keeping, human resources services, and mailing services on a fee or contract basis
82.30	Organization of congresses and trade exhibitions	This class includes organization, promotion and/or execution of various events, such as business shows, conventions, conferences and meetings, with or without the organization and provision of personnel to work at the venues of such events
85.59	Other types of education	This class includes education not determined by any levels; academic training, activities of training centres offering correction courses (additional training in a certain discipline), activities of professional development courses, language and communication skills training, computer literacy training, religious instruction

Source: generated by the authors based on (Classification of types of economic activity 009:2010, 2010; Information letter, 2019).

Based on the types of activities for the application of the KVED-2010 for Auditing entity according to the recommendations of the Audit Chamber of Ukraine (*Table 1*), authors have identified the corresponding activity area to "audit consulting" which are presented in the *Table 2*.

Table 2

Composition of the types of activities of Auditing entity that correspond to the direction of "audit consulting"

Code of KVED-2010	Name KVED-2010
62.00	Computer programming, consulting, and related activities
63.99	Providing other information services
66.19	Other support financial services activities other than insurance and pensions
68.31	Real estate agency
69.10	Legal activities
69.20	Activities in the field of accounting and auditing; tax consulting
70.22	Consulting on business and management issues
78.10	Activities of employment agencies

Source: generated by the authors.

Thus, analysing *Table 2*, it can be argued that audit consulting is one of the types of economic activities of Auditing entity.

Audit consulting is the process of providing businesses and organizations with professional assistance and advice on issues related to auditing, financial transactions, optimization of financial reporting, tax issues and management decisions. Auditing entity provides comprehensive recommendations to improve financial performance and compliance with legal requirements.

2. Purpose and tasks of audit consulting

At the same time, aspects of audit consulting are jointly aimed at helping enterprises to optimize their activities, achieve their goals and ensure sustainable development in a competitive environment. At the same time, all aspects of audit consulting are jointly aimed at achieving the company's goals and ensuring its sustainable development in a dynamic and competitive business environment. The main aspects of audit consulting include:

Financial analysis. Analysis of the financial statements of the enterprise to determine the financial condition, efficiency, and profitability. Auditing entity can recommend strategies to improve financial management and resource efficiency;

Optimization of taxation. Auditing entity helps businesses reduce their tax burden by using legal tax strategies and reducing the risk of tax penalty;

Internal control. Auditing entity helps businesses to develop and to implement effective internal control systems that help avoid financial fraud and error;

Improvement of business processes. Auditing entity analyses the activities of the enterprise and recommends optimal business processes that increase productivity and reduce cost;

Risk management. Auditing entity helps to identify and manage various types of risks, such as financial, legal, operational, etc.;

International standards. Auditing entity can help enterprises to implement international financial reporting and auditing standards, which is important for enterprises with international operations or planning to enter the international market;

Compliance with the legislation. Auditing entity provides businesses with advice on how to comply with laws, including reporting and regulatory requirements across different industries;

Financial planning. Auditing entity can help to develop financial planning strategies, including budgeting, forecasting, and working capital management.

Audit consulting is an important component for supporting the efficient operation of enterprises and ensuring their financial stability and success.

From the above aspects of audit consulting, its goal is formulated, which consists in increasing the efficiency of management of business entities and helping clients in achieving their business goals.

From the above-mentioned goal, the task of audit consulting was determined (*Table 3*). Audit consulting aims to solve various tasks related to finance, management and optimization of business processes.

Table 3

Tasks of audit consulting

Task	Characteristic
Assessing the client's internal controls	Research and assessment of the effectiveness of the client's internal control system, which helps prevent the risk of fraud and errors
Advice for improvement of the company's business processes	Providing recommendations for optimization and improvement of management and operational processes to assist in achieving the client's goals
Internal audit	Conducting an internal audit of the client's activities to assess and improve the efficiency of corporate governance, risk management and control processes
Tips for tax planning optimizing	Development of strategies for optimizing the tax burden in accordance with the specifics of the client's activities and operating environment (here we mean the prevalence of Ukrainian or international legislation)
Risk analysis	Identification of significant risks that may affect the achievement of goals and ensuring the sustainable development of the company
Preparation for external audit	Assistance clients prepare for financial statement audits, ensure responses to auditor inquiries, and resolve identified issues
Analysis of financial and non-financial indicators	Study and analysis of financial results and other indicators to determine factors affecting the continuity of the company's operation
Compliance with ethical standards	Development of monetary and corporate management strategies
Development of monetary and corporate management strategies	Assistance in developing strategies for managing clients' finance and resources

Source: generated by the authors.

These are just a few examples of tasks that can be performed as part of audit consulting. The content and cover of specific tasks will depend on each client's needs and goals. Throughout the engagement, the audit consultants collaborate closely with the client's management team, stakeholders, and other relevant parties to implement the agreed-upon strategies, monitor

progress, and make adjustments as needed. This collaborative approach ensures that the audit consulting services provided are practical, actionable, and tailored to the client’s unique circumstances.

Overall, the flexibility and adaptability of audit consulting allow it to address a wide range of client needs and objectives, making it a valuable resource for organizations seeking to enhance their financial performance, operational effectiveness, and strategic agility.

3. Principles of audit consulting

Audit consulting is based on compliance with certain principles that ensure efficiency, reliability and objectivity of the process of providing consulting services to clients. The principles of audit consulting reflect its ethical standards and core values that guide the activities of consultants and determine their approaches to working with clients. The substantiation of these principles is important for ensuring high quality and efficiency of consulting services. Here are some of the basic principles of audit consulting (*Table 4*).

Table 4

The main principles of audit consulting

Task	Characteristic
Professional competence	Audit consulting must be performed by qualified specialists with the appropriate level of knowledge, skills, abilities, and experience in the field of auditing, taxation, analysis, finance and management
Objectivity and independence	Auditing entity must act objectively and independently of any external pressures or interests. They must avoid any situations that could create a conflict of interest
Confidentiality	Auditing entities are obliged to maintain confidentiality and not to disclose any confidential information about the client without client’s written consent, except when required by law
Compliance with standards	Auditing entity must comply with relevant auditing standards, code of ethics and regulatory requirements relating to their activities
Communication with the client	Auditing entity must ensure clear and effective communication with the client. They must understand the client’s needs, the specifics of their activity and goals
Risk assessment and justification of decisions	Auditing entity must analyse potential risks and develop reasonable recommendations to minimize risks and achieve maximum benefits for the client
Integrity and honesty	Auditing entity must act with high moral integrity. They must provide accurate information and avoid any manipulation or distortion
Adaptation to change	Audit consulting must adapt to changes in legislation, economic conditions, and technological developments. Auditing entity must maintain their competence and learn new things

Source: generated by the authors.

These principles help ensure a high level of quality and confidence in audit consulting services and contribute to the achievement of positive results for clients. These principles provide a framework that helps auditors perform their work responsibly, effectively and ethically, ensuring maximum benefit to clients and maintaining a high standard of professional performance.

4. Subjects of audit consulting

Subjects of audit consulting include various participants interacting in the process of providing consulting services and performing audit tasks. The main subjects in this context are (*Table 5*).

Table 5

Subjects of audit consulting

Task	Characteristic
Audit firm	This is a legal entity that carries out auditing activities and provides consulting services. Audit firms can be of different sizes and have teams of auditors and consultants with various specializations
Auditor	This is an individual who has the appropriate professional qualifications, confirmed, and registered in the Register of Auditors and Audit Subjects. This person may conduct audits and provide consulting services. Auditors audit financial statements, analyse risks, and make recommendations for improving management processes
Client (customer)	This is a legal entity or individual ordering the services of an audit firm for audit consulting. The client provides the necessary information and access to activities for conducting audit consulting
Supervisory Board or Audit Committee	In large companies or PJSC, there may be a special body – a Supervisory Board or Audit Committee – responsible for monitoring audit activities and consultations. This Body ensures the independence and objectivity of the process
Regulators	These are national or international bodies that set auditing standards, guidelines, and codes of conduct for auditors and audit firms. For example, the International Standard on Auditing (ISA) provides guidance on the conduct of audits and the provision of consulting services
Audit committee	This is an internal management body in corporate structures, responsible for monitoring audit activities, selecting an auditor, interacting with the auditor, and analysing the results of audit consulting
Client’s employees	They provide the Auditing entity with access to the necessary data, information and processes in the company. Their knowledge of the company’s internal processes and activities is important for successful audit consulting

Source: generated by the authors.

The interaction between these subjects plays a key role in providing quality audit consulting services and maintaining high standards of objectivity and independence. Overall, the subjects of audit consulting encompass a diverse range of participants who collaborate to ensure the integrity, reliability, and transparency of financial reporting and business operations. Effective communication, coordination, and cooperation among these participants are essential for successful audit consulting engagements.

5. Classification of audit consulting

Audit consulting can be classified according to several criteria, such as purpose, scope, type of services and scale of activity. The general methods of classifying audit consulting are presented in *Table 6*.

Table 6

Classification of audit consulting

Classification characteristic	Characteristic
By purpose	Financial audit consulting. Evaluating financial statements, verifying the accuracy of financial data, and identifying possible errors or fraud. Management audit consulting. Providing advice to improve management processes, operational efficiency and strategic management
By service sector	Tax audit consulting. Development of optimal tax planning strategies and identification of opportunities to reduce the tax burden. IT audit consulting. Assessment and analysis of information technology systems, their security and efficiency
By type of service	Analytical audit consulting. Research and analysis of monetary characteristics, identification of trends and probable deviations. Consultations on risk reduction. Identification and assessment of risks, development of strategies to minimize them
By scale of activity	Corporate audit consulting. Providing services to corporate clients or large companies. Audit consulting for small businesses. Providing services to small firms and enterprises

Source: generated by the authors.

This classification of audit consulting fully corresponds to the management strategy and strengthens the understanding of the implementation of such activities, and also becomes a suitable basis for the development of audit consulting in the future.

6. Advantages and disadvantages of audit consulting

The importance of the benefits of audit consulting lies in the fact that this form of consulting can significantly improve the financial position, efficiency and competitiveness of the enterprise. In general, audit consulting plays an important role in supporting and supporting the successful operation of enterprises, helping them achieve their strategic goals and ensuring sustainable development in a changing business environment. Therefore, it will be necessary to consider the above advantages (Table 7).

Table 7

Advantages of audit consulting

Advantages	Characteristic
Performance audit	May provide valuable information and advice to help clients understand and manage their financial situation more effectively. Helps to identify shortcomings and inaccuracies in the operational processes of an enterprise, which can lead to their optimized functioning
Optimization of tax burden	May help identify legal opportunities to reduce the tax burden, while complying with the requirements of current tax legislation
Improving the Financial Reporting	Helps streamline accounting and prepare accurate and reliable financial statements, which ensures internal and external reliability of data
Strategic planning	Can contribute to the development of effective development strategies based on the analysis of financial information and risks
Minimization of risks	Helps identify possible risks and propose measures to manage and reduce them
Implementation of best practices	Provides recommendations for the implementation of best practices in accounting, finance and management, which can lead to increased efficiency of the enterprise
Independent assessment	Provides an independent assessment of the financial condition of the enterprise, which can be useful for internal management and external stakeholders

Source: generated by the authors.

The above-mentioned advantages of audit consulting (*Table 7*) make it possible for a potential customer to understand what he can get from the SAA, and the SAA, in turn, can present this type of activity to all stakeholders in order to spread and determine its demand in society.

In addition to the above advantages (*Table 7*), audit consulting has certain disadvantages and limitations (*Table 8*).

Table 8

Disadvantages of audit consulting

Disadvantages	Characteristic
Conflict of interest	Auditing entity may find themselves in a conflict-of-interest situation, especially if they serve both as an auditor and as a consultant. This may erode the objectivity and independence of their assessments
The threat of confidentiality	In the process of providing consulting services, the issue of maintaining the confidentiality of client data may arise. Sometimes there is a risk that confidential information may be used for purposes other than those intended
Consultant dependency	Businesses can become overly dependent on accounting, financial and strategic planning consultants, which can lead to a loss of internal control
Cost of services	Auditing entity often offer highly specialized services, which can be expensive for businesses, especially for a small company with limited financial resources
Insufficient adaptation to a specific context	An auditing entity may not always fully understand the characteristics and needs of a particular enterprise. Their recommendations may be less effective if they do not take into account the specific conditions and factors of the enterprise
No guarantee of success	Even the best Auditing entity cannot guarantee that their advice will lead to the expected results. Many factors may influence the implementation of recommendations
Limited resources	Not all Auditing entity may have access to advanced technology or the latest methodologies, which may limit their effectiveness and the relevance of their advice
Lack of stable contact	Auditing entity typically works with clients for a limited period of time. This may result in loss of continuity of support and advice in the future

Source: generated by the authors.

Determining the shortcomings of audit consulting is an important task in order to improve the quality and efficiency of the provision of the above services. Extruded defects (*Table 8*) can arise for various reasons and vary from specific situations to general problems. Identification of shortcomings allows SAA to take measures to overcome these problems and improve the quality of such activities as audit consulting.

In general, the choice of audit consulting should be made taking into account these disadvantages and advantages, assessing how much they meet the needs and circumstances of the enterprise.

Conclusions

In the course of the conducted research, we developed the theoretical foundations of audit consulting by revealing the essence, purpose, tasks, aspects, advantages, disadvantages, subjects, classification of audit consulting, taking into account international experience for its implementation in domestic consulting practice.

The development of audit consulting can be an important task for audit firms and auditors working in this area. There are several ways that contribute to the successful development of this business segment.

Continuous professional development. Audit consulting is an industry that is constantly changing due to changes in legislation, technology, and

business practices. Auditing entity must regularly improve their skills and update their knowledge to keep abreast of all the latest trends and requirements.

Diversification of services. The possibility of expanding the range of services is being considered. For example, in addition to auditing, could be offer tax consulting, financial analysis, risk management, corporate governance consulting, etc. This will help expand the Auditing entity's customer base and increase profits.

The establishment of partnerships. Cooperation with other companies and specialists will help expand the capabilities of the Auditing entity. For example, partnering with law firms or financial advisors can provide comprehensive services to clients.

Development of a client base. Attracting new clients and maintaining relationships with existing ones is an important aspect of the development of audit consulting. It makes sense to work on building long-term relationships and referrals from satisfied clients.

Use of technology. The introduction of modern technologies such as artificial intelligence, data analytics and cloud solutions can improve the efficiency of audit consulting and make it more accurate and faster.

Market research. The market is constantly being studied, competitors are researched and changes in customer demands are analysed. This helps to adapt to new requirements and ensure business remains competitive.

Brand creation and marketing. Investing in marketing and creating a strong brand. A well-built brand and an effective marketing strategy can attract more customers and increase its influence in the market.

Using learning resources. Recruiting a new generation of auditors and consultants and providing them with the opportunity to learn and develop can be beneficial for Auditing entity.

The development of audit consulting requires systematic work and continuous improvement. It is important to remain open to new ideas and opportunities and be willing to adapt to changes in the industry and customer needs.

Developing a methodology for audit consulting is the further line of scientific research.

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