

Article

The Importance and Necessity of Evidence in Improving The Quality of Audits of Enterprises Processing Grain Products

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Abstract: The article deeply analyzes the theoretical and practical aspects of improving the quality of audit checks at grain processing enterprises, including the importance and necessity of audit evidence in this process. Taking into account the specific features of the grain processing industry (seasonality of raw materials, storage conditions, and the complexity of cost formation), the methodology for collecting sufficient and reliable evidence is highlighted.

Keywords: Grain Processing, Audit, Audit Evidence, Quality, Financial Statement, Cost of Production, Inventory, Audit Risk

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1. Introduction

In the conditions of a market economy, it is important to ensure the financial stability of enterprises processing agricultural products, in particular grain, and to achieve transparency of their reports in our republic. The role of independent audits in this process is invaluable, and their reliability directly depends on the quality of the collected audit evidence. The specific features of the grain processing industry - the seasonality of raw materials, the complexity of storage and warehousing processes, and the large share of products in working capital - require auditors to have a deep professional approach and substantiated evidence.

Currently, in some grain processing enterprises, insufficient collection of evidence or their low quality negatively affects the objectivity of audit conclusions. In particular, the existence of uncertainties in such issues as inventorying raw material balances, forming the cost of finished products, and identifying hidden costs requires the development of new methodological approaches to improving the quality of audits. The reliability, sufficiency, and relevance of evidence serve to significantly reduce audit risks.

2. Materials and Method

The relevance of this topic is that it is aimed at further improving the quality of audit audits at grain processing enterprises, strengthening the confidence of domestic and foreign investors, ensuring tax and reporting discipline. The use of modern digital technologies, data analysis, and improving mechanisms for collecting and evaluating evidence that meet the requirements of international standards during the audit process is an important foundation for finding scientific and practical solutions to existing problems in the field.

Issues of gathering evidence in audits have been studied by many economists. According to a group of economists, "audit standards require auditors to obtain

sufficient and appropriate audit evidence as to the basis for expressing an audit opinion. Accounting records are the audit evidence of financial procedures, but they are not sufficient and appropriate evidence to support financial statements. Auditors must search for evidence that supports these records through personal knowledge, document review, and employee inquiries, etc.” [1].

Akram Niktaba and Azim Aslani said that: “the auditing evidences are written and electronic information that allow the auditor's to reach to a conclusion by reasoning. In this regard, the audit documentation helps the auditor to adopt a starting point to be able to comment about the accounts and financial operations of the company. Such documents through a test that determines how well the accounting controls work and through testing, accounting details of accounting are obtained” [2].

Another group of scientists stated that “the assessments they used depend on the reliability of the audit procedures and tools used to gather evidence” [3].

Chang, C. J. conducted research on the collection of audit evidence and concluded: “The identification of audit evidence must be comprehensively identified by the special personnel assigned by the audit department for the authenticity and quality of things. However, due to the increasingly complicated audit work, auditors must have higher professional and moral qualities, and ensure that each audit evidence is authentic and persuasive with a solid business foundation and integrity” [4].

Gospel J. CHUKWU, Promise A. ORDU, Micheal BARIGBON, Amos NAMAPELE said that: “the important of audit evidence in preparing audit report cannot be overemphasized. The reliability of the audit evidence is what leads to an acceptable audit report, and conversely where the audit evidence is marred with non conformity to acceptable standards in terms of reliability and sufficiency, the audit exercise carried out in that situation becomes in doubt” [5].

Ohaka, J. and Imo, T.O. stated that “sufficiency and appropriateness of audit evidence are two qualities that are interrelated. Sufficiency is the measure of the quantity of audit evidence” [6].

As can be seen from the above-mentioned opinions, economists have expressed their opinions mainly about the nature of audit evidence. However, the methodological aspects of gathering audit evidence are not reflected in the above considerations.

3. Results

Audit evidence is a set of information collected, evaluated and analyzed by the auditor to form an audit opinion. According to International Auditing Standards (ISA 500 “Audit Evidence”), audit evidence should be sufficient and relevant.[7]

Sufficiency refers to the quantity of evidence, and relevance refers to its quality. In enterprises processing grain products, audit evidence is mainly formed from the following sources: primary accounting documents; account registers and financial reporting forms; inventory results of material reserves; inventory results of material reserves; internal control system information[8][9]

When collecting audit evidence, the auditor must rely on professional judgment and ensure the reliability of the evidence. From this point of view, the form of evidence (written, physical, analytical), source (internal or external) and method of obtaining it (inspection, observation, recalculation) are of great importance.[10]

Auditing in grain processing enterprises is distinguished by a number of specific features. First of all, the movement of grain and flour products is one of the high-risk areas, since natural losses, moisture changes, storage conditions and the processing process have a significant impact on financial results.[11]

Audit evidence is one of the most important factors affecting the reliability of financial statements. According to the International Standards on Auditing, Audit Evidence, the basis for the audit opinion is determined by the sufficiency and relevance

of the evidence collected. Sufficiency of evidence refers to its volume and quantity, and relevance refers to its quality, reliability and relevance to the issue being audited. The more reliable the evidence collected by the auditor, the higher the likelihood of detecting material misstatements in the financial statements. Therefore, audit evidence is crucial in reducing audit risks, supporting the audit opinion, and ensuring the reliability of information in the decision-making process of users of financial statements (Figure 1).[12][13]

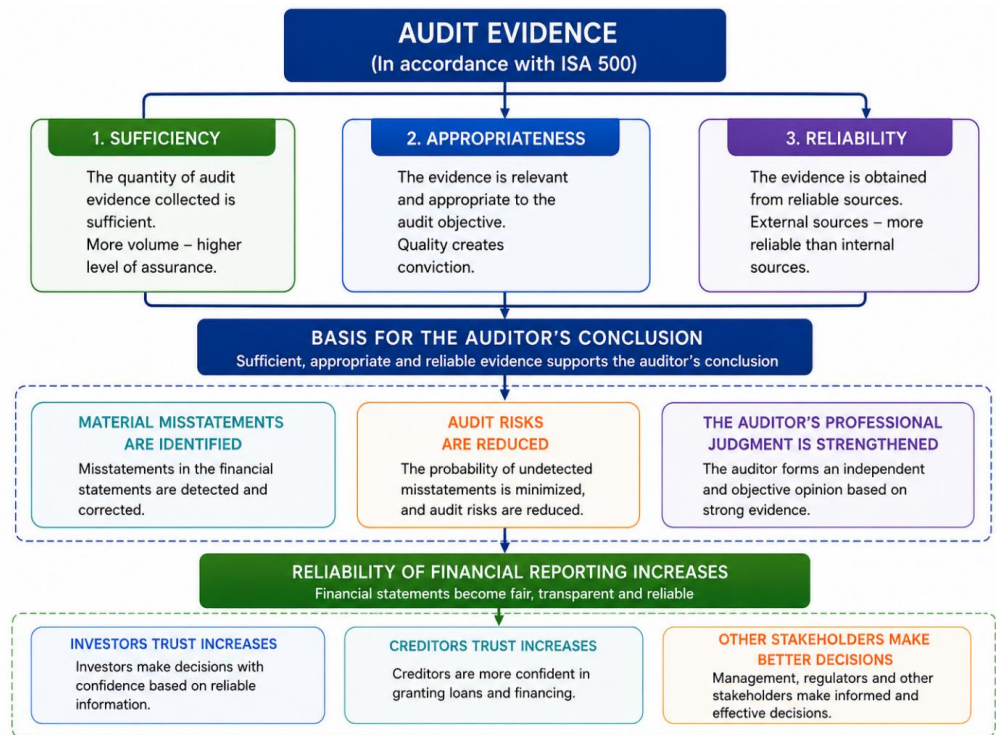


Figure 1. The effect of audit evidence on the reliability of financial statements

4. Discussion

As indicated by the results, the quality of audit evidence should be understood not simply as the amount of documentation collected, but as the extent to which the evidence is sufficient, appropriate, reliable, and directly responsive to the assessed risks. This interpretation is consistent with ISA 500, which establishes sufficiency and appropriateness as fundamental bases for obtaining reasonable assurance and forming an audit opinion. In the context of grain-processing enterprises, this distinction is particularly important because a large volume of internally generated documents does not necessarily provide persuasive evidence if the underlying information is affected by inventory losses, moisture changes, storage conditions, or weaknesses in internal controls. Therefore, the findings support the first research objective by demonstrating that improving the quality of evidence is a direct mechanism for strengthening the reliability of audit conclusions and financial reporting.[7][8][9]

The results also show that the specific technological and operational characteristics of grain processing materially influence the type and quality of evidence required. Grain is subject to natural loss and changes in moisture, while the movement from raw-material receipt through storage, processing, and finished-product output creates several points at which quantities and costs may diverge from accounting records. Consequently, reliance on accounting documents alone may leave important assertions insufficiently supported. Physical inventory observations, inventory records, laboratory or quality-control information, technological records, production documentation, recalculations, and external confirmations should therefore be considered as complementary sources of evidence. This finding develops the general position of

Smiliuskas, Jiang, and Chen [1] that accounting records by themselves are not sufficient to support financial statement assertions, while also applying that principle to the operational risks characteristic of grain-processing enterprises.

The findings are further consistent with the conclusions of Akram and Aslani [2], Chukwu et al. [5], and Ohaka and Imo [6], who emphasize that the reliability, sufficiency, and appropriateness of audit evidence directly affect the credibility of the auditor's report. However, the present study extends these earlier observations by emphasizing the need to evaluate evidence in relation to the specific risk profile of grain-processing activities. In particular, evidence should be prioritized according to the likelihood and potential materiality of misstatements arising from inventory quantities, natural losses, production costs, and warehouse operations. Thus, the results indicate that evidence collection should be risk-oriented rather than performed as a uniform documentary procedure.

An important implication of the findings is the relationship between evidence quality and audit risk. When evidence is obtained from independent or objectively verifiable sources and is corroborated through different audit procedures, the auditor's ability to identify material misstatements is strengthened. This is consistent with ISA 315 and ISA 330, under which the identification and assessment of risks should determine the nature, timing, and extent of audit responses.[8][9] For grain-processing enterprises, this means that higher-risk areas such as inventories and production costs should receive more extensive substantive procedures and stronger corroboration. The theoretical implication is that audit evidence functions not merely as documentation supporting an already formed opinion, but as a central component of the risk-assessment and assurance process.

The study also has practical implications for auditors and management. Auditors should establish an evidence matrix that links each significant financial-statement assertion with the relevant risk, evidence source, reliability level, and audit procedure. For inventory, for example, documentary evidence should be combined with physical observation, reconciliation of warehouse and accounting data, recalculation of quantities and losses, and analysis of production yields. For production costs, accounting entries should be compared with technological records, consumption norms, production volumes, and supporting primary documents. Where electronic accounting systems are used, auditors should also assess the integrity and completeness of system-generated information. Such a structured approach can improve the consistency of audit documentation and help auditors focus resources on areas with the greatest risk of material misstatement.[10][14]

Another practical implication concerns the use of digital technologies and analytical procedures. The article's results indicate that electronic accounting information can become a valuable source of audit evidence when its completeness, accuracy, and reliability have been appropriately assessed. Data analytics can be used to identify unusual inventory movements, unexpected changes in production yields, abnormal cost fluctuations, and inconsistencies between physical and accounting records. Nevertheless, digital evidence should not automatically be treated as reliable merely because it is system-generated; its reliability must be evaluated together with internal controls and, where appropriate, corroborating external or physical evidence. This interpretation is consistent with the broader auditing approach presented by Arens, Elder, and Beasley [10] and with the quality-management emphasis of IFAC [14].

Taken together, the results demonstrate that improving audit quality in grain-processing enterprises requires an integrated evidence-gathering and evaluation framework. The main contribution of the study is therefore not only to reaffirm the importance of sufficient and appropriate evidence, but also to show how evidence should be selected and corroborated according to industry-specific risks. The proposed risk-oriented approach strengthens the connection between evidence, audit procedures,

audit risk, and the final audit opinion. In practical terms, its implementation can improve the detection of material misstatements, strengthen the reliability of financial statements, and increase the confidence of investors, creditors, tax authorities, and other users of financial information. These implications directly support the research objective of developing methodological approaches that improve the quality and effectiveness of audits at grain-processing enterprises.[11][12][13][15]

5. Conclusion

- a. The research findings indicate that the quality of audit evidence is one of the key factors ensuring the reliability of audits and the faithful presentation of financial statements in grain-processing enterprises. The sufficiency, appropriateness, and reliability of audit evidence contribute to reducing audit risks, identifying material misstatements in a timely manner, and ensuring that the auditor's opinion is adequately supported. In this regard, improving the evidence-gathering process in such enterprises in accordance with International Standards on Auditing, particularly the requirements of ISA 500, is an important prerequisite for enhancing audit quality and the reliability of financial reporting.
- b. The analysis showed that the multi-stage nature of technological processes, the continuous movement of products, and the complexity of warehousing and production operations in grain-processing enterprises require a specific approach to the formation of audit evidence. Therefore, audit evidence should not be limited solely to accounting documents; rather, it should be comprehensively corroborated by inventory results, laboratory reports, technological records, data from electronic accounting systems, and external confirmation sources. This approach significantly improves the quality of the auditor's conclusion by increasing the reliability of audit evidence.
- c. The study substantiated the importance of a risk-oriented approach to the evaluation of audit evidence in improving the effectiveness of audits in grain-processing enterprises. According to the approach proposed by the author, the source of evidence, its level of reliability, relevance, sufficiency, and impact on audit risk should be assessed comprehensively. The practical implementation of this approach expands the auditor's ability to detect material errors and misstatements, reduces audit risk, and strengthens financial statement users' confidence in the auditor's conclusion.

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