



X. International Balkan and Near Eastern Social Sciences Congress Series - Ohrid / Macedonia

October 27-28, 2018

**University "St. Kliment Ohridski" Faculty of Economics/Macedonia
University of Agribusiness and Rural Development/Bulgaria
IBANESS**

PROCEEDINGS

Editors

**Prof.Dr. Dimitar NIKOLOSKI
Prof.Dr. Dimitar Kirilov DIMITROV
Prof.Dr. Rasim YILMAZ**

Organization Committee

CO-PRESIDENTS

Prof.Dr. Dimitar Kirilov Dimitrov, University of Agribusiness and Rural Development, Bulgaria
Prof.Dr. Dimitar Nikoloski, University "St. Kliment Ohridski"-Bitola, Macedonia
Prof.Dr. Rasim Yılmaz, Tekirdağ Namık Kemal University, Turkey
Prof.Dr. Ömer Azabağaoğlu, Tekirdağ Namık Kemal University, Turkey

ORGANAZING COMMITTEE

Prof.Dr. Ahmet Kubaş, Tekirdağ Namık Kemal University, Turkey
Prof.Dr. Mariana Ivanova, University of Agribusiness and Rural Development
Assoc. Prof.Dr. Tatjana Spaseska, University "St. Kliment Ohridski"-Bitola, Macedonia
Assoc. Prof.Dr. Olivera Kostoska, University "St. Kliment Ohridski"-Bitola, Macedonia

SCIENTIFIC COMMITTEE

Prof.Dr. Alpay Hekimler, Tekirdağ Namık Kemal University, Turkey
Prof.Dr. Annamalia M. Sakkthivel, Sur University College, Oman
Prof.Dr. Cem Saatçioğlu, Istanbul University, Turkey
Prof.Dr. Dimitar Kirilov Dimitrov, University of Agribusiness and Rural Development, Bulgaria
Prof.Dr. Fatmir Memaj, University of Tirana, Albania
Prof.Dr. Gerhard Ring, TU Bergakademie Freiberg, Germany
Prof.Dr. Günther Löschnigg, University of Graz, Austria
Prof.Dr. Herbert Reginbogin, Touro College, USA
Prof.Dr. Kemal Yıldırım, Anadolu University, Turkey
Prof.Dr. Ksenija Dumičić, University of Zagreb, Croatia
Prof.Dr. Letlhokwa George MPEDI, University of Johannesburg, South Africa
Prof.Dr. Mancheski Gjorgji, University "St. Kliment Ohridski"-Bitola, Macedonia
Prof.Dr. Martha Starr, American University Washington D.C., USA
Prof.Dr. Mariana Ivanova, University of Agribusiness and Rural Development
Prof.Dr. Mi Jung Park, Freie Universität Berlin, Germany
Prof.Dr. Nadka Kostadinova, Trakia University, Bulgaria
Prof.Dr. Otto Kaufmann, Max Planck Institut München, Germany
Prof. Dr. Patricia Georgieva, University of Agribusiness and Rural Development
Prof. Dr. Safet Kozarević, University of Tuzla, Bosnia and Herzegovina
Prof. Dr. Shushma Patel, London South Bank University, UK
Prof. Dr. Slavica Rocheska, University "St. Kliment Ohridski"-Bitola, Macedonia
Prof. Dr. Srdjan Redzepagić, University of Nice – Sophia Antipolis, France
Prof.Dr. Thomas Paul, University of South Pacific
Prof.Dr. Todor RADEV, International University College, Bulgaria
Prof.Dr. Todorka Atanassova-Kalaydzieva, Trakia University, Bulgaria
Prof.Dr. Zoran Ćirić, University of Novi Sad, Serbia
Prof.Dr. Zlatka Grigorova, University of Agribusiness and Rural Development, Bulgaria

		Janka DIMITROVA Anica SOROVA Riste TEMJANOVSKI Eftimija DIMITROVA Ilija HRISTOSKI Olivera KOSTOSKA	The Responsibility of Auditors for Prevention and Determination of Frauds in the Financial Statement and Perspectives for Development of Forensic Audit in the Republic of Macedonia On the Taxonomies and Typologies of e-Customers in B2C e-Commerce
16:15-16:30	Coffee Break		
16:30 – 18:00	Parallel Session IV	Hall 1 Chair Person: Assoc. Prof.Dr. Miroslav ANDONOVSKI Miroslav ANDONOVSKI Igor ZDRAVKOSKI Marija MIDOVSKA PETKOSKA Yiğit AYDOGAN Murat DONDURAN Erhan ATAY Shehida QERIMAJ LUSHTAKU Mergim LUSHTAKU	Type and Scope of Responsibility of the Cooperators in the Public Trade Company - Advantages and Disadvantages An Analysis of the Firm Size Distribution in Turkey European Union and the Western Balkans: Full Membership in the light of the USA-EU Trade Wars Legal Framework of Public-Private Partnership Implementation: Case Study Kosovo

Sunday Sessions

11:00 – 12:15	Parallel Session I	Hall 1 Chair Person: Asst. Prof.Dr. H. Gonca DİLER İpek KARABACAK Melda KONDAL Mustafa HATİPLER Nilgün KÖKSALAN Elif ANBAR	Organik Gıda Ürünleri Üretiminin Ülke Ekonomisine Katkısı Trakya Bölgesinde Süt Üretiminde Soğuk Zincir Hayırsever Tüketici Davranışı ile Sosyal Politika Arasındaki İlişki Pazarlama Metaforu Tekniğiyle Divan Şiirinde Akıl Kavramının İncelenmesi
---------------	--------------------	---	---

CONTENTS

The in-work poverty in Macedonia: Deriving lessons for future policy interventions	1
Simple OLG Model Explained With Numerical Example in MATLAB	12
Morphological Characterization Of Castellana Olives In The Eastern Rhodopes Of Bulgaria	32
Relationships Between Quantitative Traits Determining Productivity of Common Wheat/Triticum Aestivum L. /	41
Comparative Analysis Of The Application Of The Liquid Fertilizers On The Productivity Of Stevia.....	47
Features, Types and Methods Of Business Analysis In The Process Of Improving The Work	55
The Responsibility of Auditors for Prevention and Determination of Frauds in The Financial Statement and Perspectives for Development of Forensic Audit in The Republic of Macedonia	60
Level Of Proficiency Of Junior High School Students In Filipino Language And Literature	73
Understanding The Needs & Aspirations Of “ Samahan Ng Magkakapit-Kamay (SMK)” Community In Talon Tres, Las Pinas City: A Grounded Theory Approach.....	79
Evaluation Of The Community Outreach Activities Of A Selected Higher Education Institution In Cavite : Basis For A Community Extension Services Plan	87
Performance Management – Review of Theoretical Aspects	93
Type And Scope Of Responsibility Of The Cooperators In The Public Trade Company - Advantages And Disadvantages.....	105
Transnational Cooperation To Preservation And Management Of The Rich Natural And Cultural Heritage In The Nature Park Rusenski Lom Through The Balkan - Mediterranean 2014-2020 Program	115
Legal Framework of Public-Private Partnership Implementation: Case Study Kosovo	121
Increasing The Engagement Of Audience In Seo Of An Actual Web Page Using Google Ads	127
Türkiye Ekonomisinde Cari Açık Ve Enerji İthalatı	137
1914 Osmanlı-Alman İttifak Antlaşması	146
The Alliance Israelite Universelle and Christian Missionary Activities and its Consequences in the last Decades of the Ottoman Empire	158
Süt Ürünlerinde Coğrafi İşaret Korumalarının Avrupa Birliği Coğrafi İşaret Korumaları Çerçevesinde Değerlendirilmesi.....	165
Mali Olayların İktisadi Yönden Önemi	170
Türkiye’de Uygulanan Vergi Politikalarının İktisadi Açıldan Değerlendirilmesi	174
European Union and the Western Balkans: Full Membership in the light of the USA-EU trade wars	178
İktisatta “Yeni” Heterodoks Gelişmeler	186
Profesyonel Çalışma Hayatında Yer Almanın Bireylerin Çatışma Yönetim Stratejilerine Etkisi	193
Mesleki Eğitimde Karşılaşılan Sorunlar ve Çözüm Önerilerine İlişkin Bir Alan Araştırması.....	200
Organizational Structure in Turkish Agriculture and Cooperatives	211
An analysis of energy use and input level for tomato production in Turkey.....	219
Analysis of Red Meat Marketing Margin and Market Structure in Turkey	226
Türkiye’de Bağımsız Denetçilik: Bugünü ve Geleceği	232
Türkiye’de Güçlü Ekonomiye Geçiş Programı İktisat Politikalarının Reel Döviz Kurları – Dış Ticaret Hadleri İlişkisi Açısından Analizi.....	241
Comparison of the European and the U.S. Unregulated Stock Markets designed for SMEs.....	249
The Impact of Internet on Inflation in OECD Countries	261
Sosyal Politika Sorunlarına Girişimcilik Yaklaşımıyla Çözümler	266
Hayırsever Tüketici Davranışı ve Sosyal Politika Anlayışı Arasındaki İlişki Üzerine Bir Çalışma	276
Değişen ve Gelişen Dünyada Sosyal Koruma	286
Sosyal Bilgiler Öğretim Programlarının Disiplinler Arası Öğretim Yaklaşımına Göre Değerlendirilmesi	293
The Role of Infrastructure in Attraction of FDI: The Case of Developing Economies	302
Precision Agriculture in Terms of Food Security : Needs for The Future.....	308
Rekreasyon Amaçlı Yayla Yerleşmelerinin Sorunları: Osmaniye İli Örneği	314
Bank Concentration in the Turkish Banking System	323
Dijital Ekonomi ve Dijitalleşmenin Ekonomik Açıldan Sonuçları.....	329
EkmeK Mayası Üretiminde Türev Ürünler Ve Kullanım Alanları	335
Belediye Hizmetleri ve Vatandaş Memnuniyeti: Yozgat Belediyesi Örneği	340

The Responsibility of Auditors for Prevention and Determination of Frauds in The Financial Statement and Perspectives for Development of Forensic Audit in The Republic of Macedonia

Janka Dimitrova¹ Anica Sorova² Riste Temjanovski³ Eftimija Dimitrova⁴

¹PhD, associate professor at the Faculty of economics - University Goce Delcev Stip,
janka.dimitrova@ugd.edu.mk

²Postgraduate student in the Faculty of economics - University Goce Delcev Stip,
anica.208433@student.ugd.edu.mk

³PhD, associate professor at the Faculty of economics - University Goce Delcev Stip,
riste.temjanovski@ugd.edu.mk

⁴Student at University American College Skopje, eftimijadimitrova@yahoo.com

Abstract: Forensic auditing is a more recent discipline within the audit aimed at detecting fraud in financial statements. Contrary to the classical audit, which primarily focuses on issuing an opinion whether the financial statements are free of material misstatements, the forensic audit is aimed at detecting fraud. In fact, the forensic audit fills the "expectation gap" that occurs among users of financial statements who mistakenly believe that the audit of the financial statements "reveals everything," although even in the audit reports it is emphasized that "because of the nature of the audit work some misstatement can remain undetected."

A number of research has been carried out worldwide on the responsibility of auditors to prevent and detect frauds in financial statements that regularly confirm the existence, and lately have suggested to deepen the "gap in expectations" triggered by the growing number of corporate scandals, although the audit standards define in detail the responsibility of the auditor in the context of the fraud in the financial statements. Based on the consideration of the problem of the "gap in expectations", the need for determining the attitudes of the relevant groups of respondents regarding the responsibility of the auditors for detecting fraud in the Republic of Macedonia has appeared, in order to confirm or deny the existence of the "gap in expectations" in the Republic of Macedonia, as well as the establishment of possible proposals measures for improvement. It is actually the main purpose of research in this paper.

Key words: accountability, auditors, frauds, financial reports, forensic audit

Introduction

In developed countries, the audit of the financial statements for many years is regulated by audit standards and the audit companies can not work anything that is outside of these standards. However, the scope and the content of the audit of the financial statements are extremely complex and dynamic, and hence the audit of the financial statements as an instrument for successful business decision making, in the present circumstances, receives new content by extending the boundaries of the traditional to a contemporary concept, which among other things, it is characterized by the expansion of the audit services and requirements set by the users. In this context, in recent years, as a result of the growing number of cases of corporate scandals globally, increasing attention has been paid to fraud detection in financial reports and forensic audits.

Contrary to the classical audit, which primarily focuses on issuing an opinion whether the financial statements are free of material misstatements, the forensic audit is aimed at detecting frauds in the financial statements.

Based on a secondary survey of the relevant literature in the area of auditors' responsibility for fraud detection in financial reports and forensic audits, it has been established that this area has been modestly processed in the domestic literature, hence the need for conducting research on the responsibility of auditors for the prevention and detection of fraud in the financial statements, the existence of a "expectation gap" among users of the audit report regarding the responsibility of auditors for prevention and detection of fraud and the usefulness of introducing a forensic audit in audit theory and practice in the Republic of Macedonia.

As a result of such research, the results obtained could serve to better understand the specificity of the audit profession and its responsibility for preventing and detecting frauds in the financial statements, as well as the

usefulness of the implementation of recognized worldwide models and methods for detecting fraud, such as forensic audit in the audit organization and practice in the Republic of Macedonia.

Subject and purpose of the research

Subject of this empirical research is the responsibility of the auditors to prevent and detect fraud in the financial statements and the "expectations gap" phenomenon that occurs among users of the audit report who believe that the audit of the financial statements "discovers everything" and the forensic audit as a measure for detecting fraud in the financial statements and minimizing the "expectation gap".

The main objective of the empirical research is to look at the responsibility of auditors to prevent and detect fraud in the financial statements, the expectations of the users of the audit report in the domain of disclosure of frauds in the financial statements and the usefulness of implementing the forensic audit in the audit organization and practice in Republic of Macedonia. In doing so, auxiliary goals have been elaborated regarding the following: is there a difference in the perception of auditors and users of the audit report on the responsibility of auditors to prevent and detect fraud in the financial statements; whether the users of the audit report require an absolute assurance from the auditors that the financial statements taken as a whole are exempt from material misstatements; the effectiveness of the forensic audit as a measure for preventing and detecting frauds in the financial statements of public interest entities, the perspectives for the development of forensic audit in the Republic of Macedonia and analysis of possible forensic audit models in the audit organization and practice in the Republic of Macedonia.

Starting the subject, the basic and auxiliary goals of this paper, the empirical research consists of two areas.

The first area of the empirical research refers to the responsibility of the auditors to prevent and detect fraud in the financial statements and the "expectation gap" regarding the responsibility of the auditors related to fraud. On the basis of the said research area, the first research question is also stated:

RQ1: Is there a difference in the perception of auditors and users of the audit report on the responsibility of auditors to prevent and detect fraud in the financial statements? Do the users of the audit report believe that the auditor has the responsibility to disclose all frauds and expect an absolute assurance from the auditor that the financial statements do not contain material misstatements due to fraud? Do the users of the audit report have unrealistic expectations regarding the auditor's responsibility for assessing the quality of the entity's internal controls?

The second area of the empirical research refers to the efficiency of forensic audit as a measure for preventing and detecting fraud in the financial statements of public interest entities, perspectives for the development of forensic audit in the Republic of Macedonia and analysis of possible forensic audit models in the audit organization and practice in the Republic of Macedonia. Based on the forensic audit as the subject of research in this paper, the second research question is set:

RQ2: Do the respondents consider that the forensic audit is one of the most effective measures for preventing and detecting fraud in the financial statements? For which entities should a mandatory forensic audit be prescribed? What is the most appropriate model for the forensic audit of the audit organization and practice in the Republic of Macedonia?

Used methods in the empirical research

The empirical research was done with the help of a survey as the main scientific-research method. There was a sample of 60 respondents, ie 20 respondents from three different groups:

- shareholders,
- management of joint stock companies, and
- active certified auditors.

The framework for the selection of the sample of shareholders is comprised of all shareholders of the joint stock companies in the Republic of Macedonia. Thus defined broad sample selection framework was used to provide answers by shareholders who have a large stake in joint stock companies as well as by those who have a small share. The data for the shareholders are obtained using the so-called "Snowball" technique, so that when contacting a particular shareholder, besides the answers to the questionnaire, the shareholder was asked

if he/she was able to provide data to other shareholders who is familiar with and who would agree to respond to the questionnaire.

The list of joint stock companies published on the website of the Central Securities Depository was used as a framework for the selection of the joint stock companies. They were contacted by e-mail whose address can be found in the section "data for the publisher" on the website of the Macedonian Stock Exchange.

Certified auditors are auditors who hold a license to perform auditing activities, but it is important that they are active i.e. to audit financial statements.

On the web site of the Institute of Certified Auditors of the Republic of Macedonia, a Registry of Certified Auditors - members of IORRM was published, according to which 187 persons have acquired a license for certified auditor until 09.11.2015. The Register of Certified Auditors - Members of the IORRM was used as a framework for selecting the sample of certified auditors. The certified auditors were also contacted by e-mail whose address can be found on the audit company's website in which they are employed.

For these three groups of respondents, special questionnaires were prepared that contain the same questions that refer to the first and second research areas, and differ in terms of demographic issues.

The questionnaires were created using the Google Forms tool and were sent to the respondents via e-mail. The questions in questionnaires are formulated in three possible ways:

- 1) Open type questions;
- 2) closed-type questions with the ability to select one or more predetermined answers and
- 3) closed-type questions with a statement of consent regarding predefined statements using a five-step Likert scale where: 1 = I completely disagree, 2 = disagree, 3 = I do not agree, 4 = I agree and 5 = I completely agree.

The questionnaires are composed of three parts.

The first part includes questions that refer to the demographic characteristics of the respondents such as sex, age, educational status, work experience, number of audits performed, activity, number of employees.

The second part of the questionnaire consists of four statements. In this part of the research, respondents are asked to use the Likert scale (from 1 to 5) to express their consent to the statements relating to the first area of empirical research - the responsibility of auditors to detect and prevent fraud in the financial statements.

The third part of the questionnaire consists of three statements. In this part of the research, the respondents were asked to use the Likert scale (from 1 to 5) to express their consent to the statements concerning the second area of the empirical research - the effectiveness of forensic audit as a measure for preventing and detecting fraud in financial statements of public interest entities, prospects for the development of forensic audit in the Republic of Macedonia and analysis of possible forensic audit models in the audit organization and practice in the Republic of Macedonia.

Processing and analysis of collected data

The collected data from the survey was processed using the Google Forms tool and using modern computer programs, primarily MS Office Excel. The results obtained below will be shown textually, numerically and graphically with the help of pies and Charts, firstly including the authorized auditors, the shareholders and, finally, the management of the joint stock companies. After each category of respondents, a conclusion is reached, and finally, after the analysis of all categories, a general conclusion is given.

Results of the survey

The analyzed data from the conducted survey of the empirical research, out of 60 respondents, ie 20 respondents from three different groups (shareholders, joint stock company management and active certified auditors), showed that the survey was filled out by:

- 17 shareholders,
- 16 joint stock companies and
- 18 auditors.

From the above, it can be concluded that the response rate is 85%, which is within the expected response rate for such researches, and it is acceptable according to the scientific and research standards, as satisfactory for the continuation of the realization of the research, ie the process of analysis and interpretation of the obtained data.

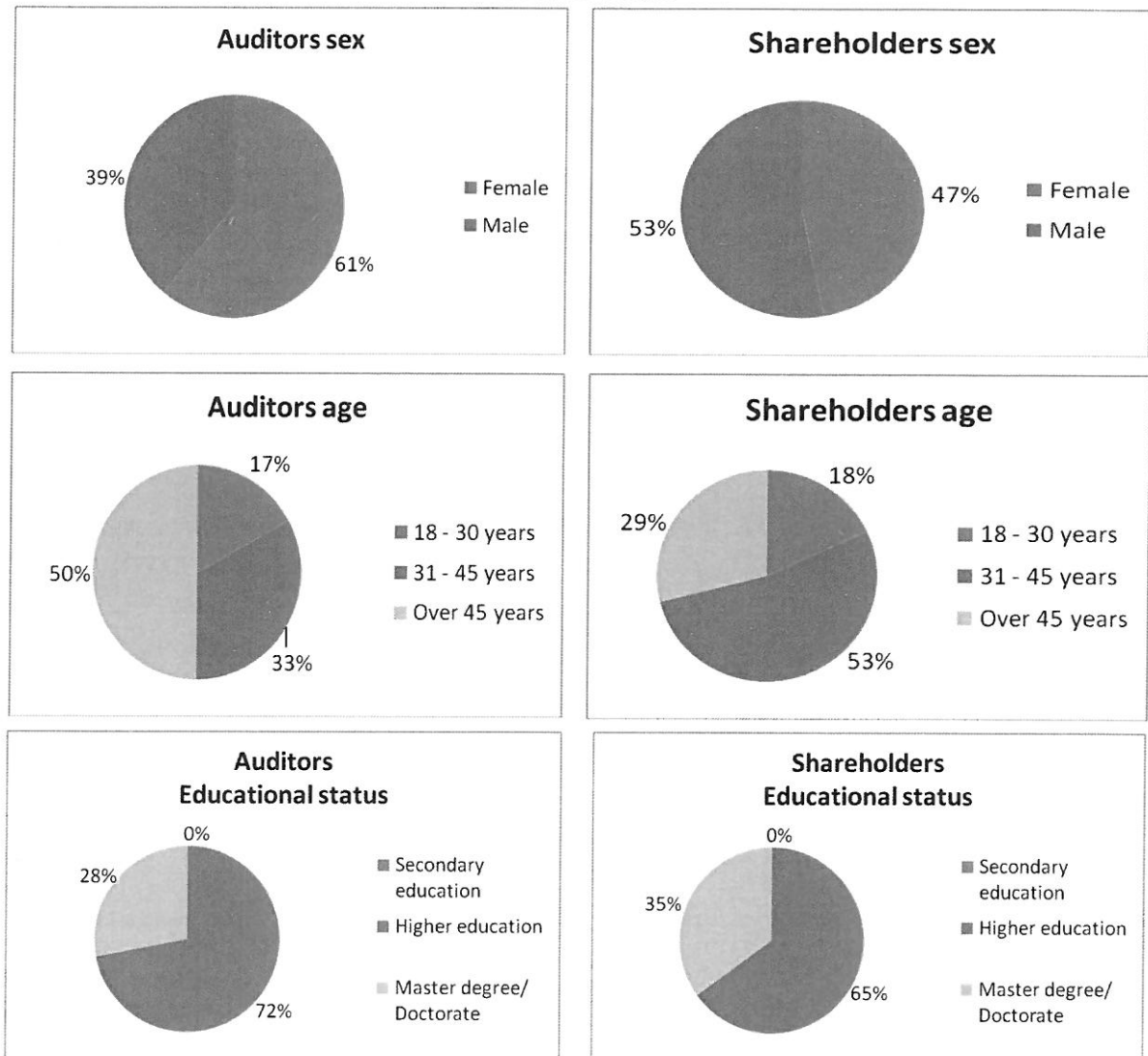
General data on the structure of the sample

In Table 1 and Chart 1, detailed data on the structure of the sample are presented in terms of gender, age and educational status. The analysis of the data is made at the level of disaggregated data - for the questionnaires of each group separately, and additionally the same data is also processed as an aggregate sample, ie the total sample respondents from both groups (auditors and shareholders).

Table1. Characteristics of the auditors and shareholders from the sample

	Offered answers	Total sample	Auditors	Shareholders
Sex	Female	19	11	8
	Men	16	7	9
Age	18 - 30 years	6	3	3
	31 - 45 years	18	9	9
	Over 45 years	11	6	5
Educational status	Secondary Education	/	/	/
	Higher education	24	13	11
	Masters degree / Doctorate	11	5	6

Chart1. Characteristics of the auditors and shareholders of the sample



The data analysis on the structure of the sample of auditors shows that 61% men and 39% women participated in the survey. Half of the auditors who participated in the survey are aged over 45 (50%), followed by the age group between 31 and 45 years (33%), while the age group between 18 and 30 is the least represented (17%), which is understandable given that at that age it is difficult to obtain a certified auditor's certificate. Regarding education, most of the auditors have completed higher education (72%), while 28% of them are Masters or Doctors of Science.

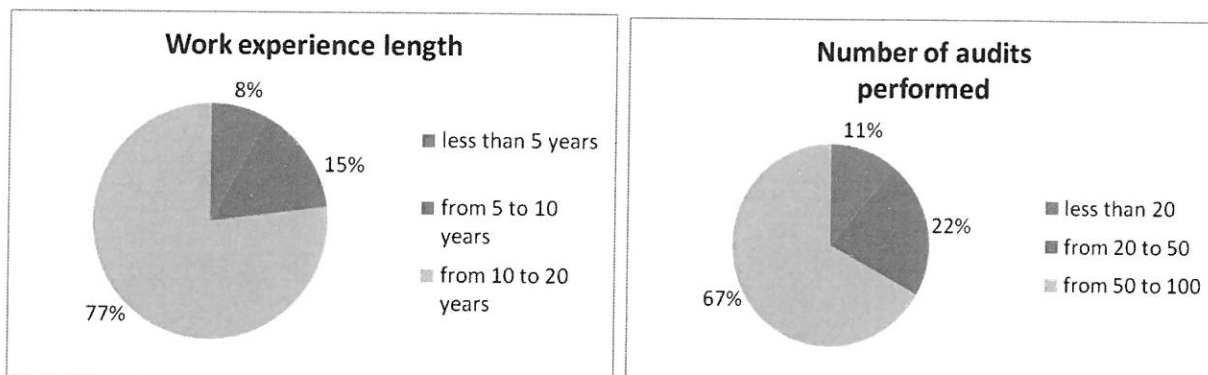
The data analysis on the structure of the shareholder sample shows that 53% men and 47% women participated in the survey. The most common is the age group between 31 and 45 years (60%), followed by the age group above 45 years (29%), and surprisingly it is a share of 18% for the age group between 18 and 30, indicating that young people are increasingly choosing to invest in stocks. Regarding education, most of the shareholders have completed higher education (65%), while 35% of them are Masters or Doctors of Science.

In order to gain additional insight into the characteristics of the sample, the certified auditors were asked to indicate: the number of years of audit experience and the number of audits performed.

Table2. Characteristics of the auditors of the sample given the work experience length and the number of audits performed

Offered answers	Work experience	Number of auditors
Work experience length	less than 5 years	1
	from 5 to 10 years	2
	from 10 to 20 years	10
Number of audits performed	less than 20	2
	from 20 to 50	4
	from 50 to 100	12

Chart2. Characteristics of the auditors of the sample given the work experience length and the number of audits performed



Most auditors have between 10 and 20 years of work experience length (77%), followed by a group of auditors who have between 5 and 10 years of work experience length (15%), and only one of the surveyed auditors has a length of service of less than 5 years .

Most auditors have conducted 50 to 100 audits (67%), followed by auditors who have conducted from 20 to 50 financial statements audits (22%), and only 11% of surveyed auditors have conducted less than 20 audits of financial report.

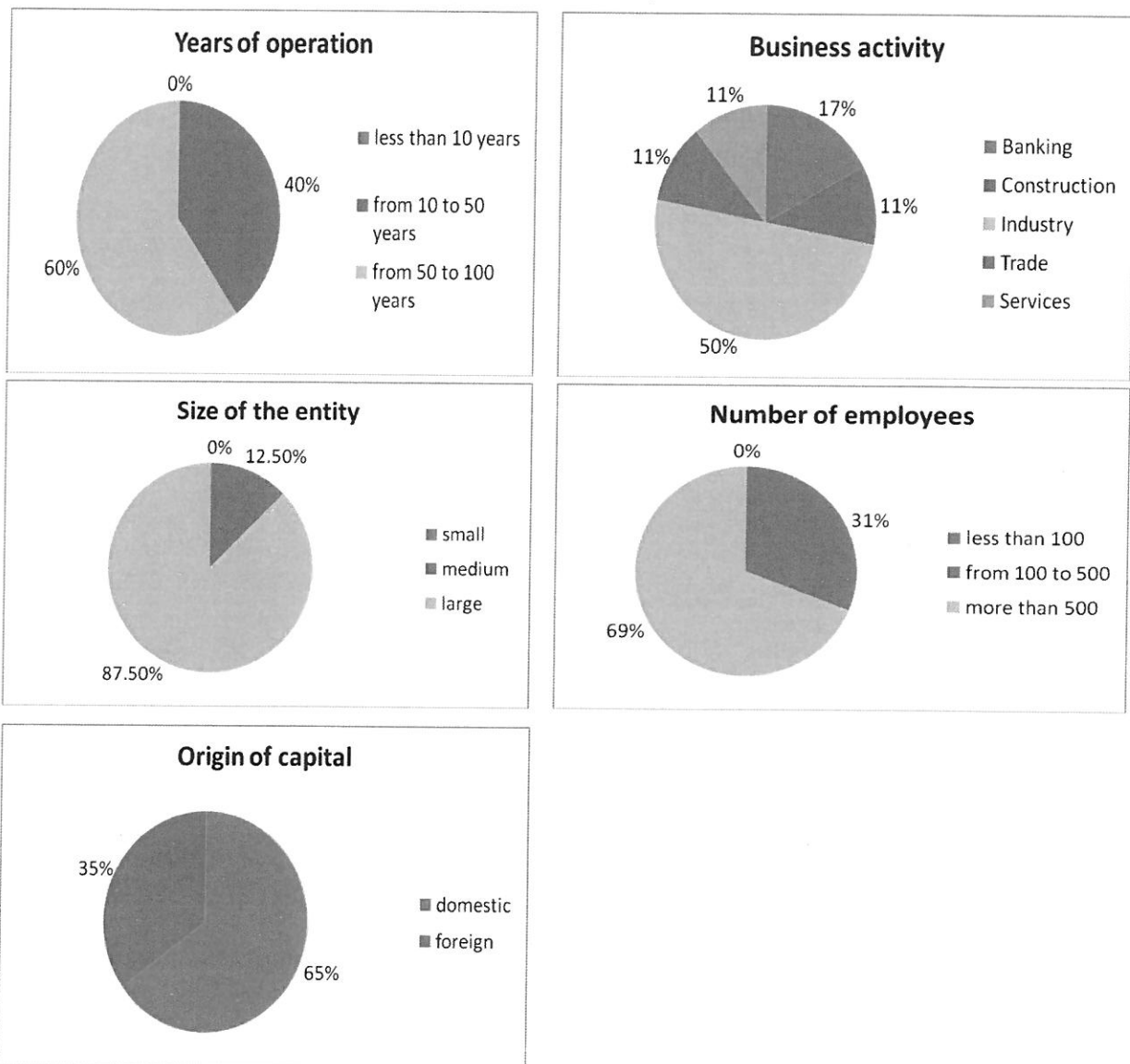
In Table 3 and Chart 3 , detailed data on the structure of the sample of joint stock companies are presented, in terms of: the number of years of operation of the joint stock company, the activity, the size of the joint stock company, the number of employees and the origin of the capital.

Table3. Characteristics of the joint stock companies from the sample

Offered answers	No. of joint stock companies	
Years of operation	less than 10 years	/
	from 10 to 50 years	8
	from 50 to 100 years	12
Activity	Banking	3
	Construction	2

	Industry	9
	Trade	2
	Services	2
Size of the entity	small	/
	medium	2
	large	14
Number of employees	less than 100	/
	from 100 to 500	5
	more than 500	11
Origin of capital	domestic	13
	foreign	7

Chart3. Characteristics of the joint stock companies from the sample



Most of the joint stock companies have a long tradition of between 50 and 100 years of operation (60%), followed by joint stock companies operating between 10 and 50 years (40%).

Half of the joint-stock companies participating in the survey work in the industry (50%), followed by banking with a share of 17%, and equally represented construction, trade and services with a share of 11%. Most of the joint stock companies participating in the survey have more than 500 employees (69%) and they represent large entities, and 31% of joint stock companies have from 100 to 500 employees and represent medium-sized

entities. Regarding the origin of the capital, the majority of the equity in the joint stock companies participating in the survey is domestic (72%), and in 28% of the joint stock companies there is a presence of foreign capital.

Table 4 and Chart 4 show detailed data on the sample structure in relation to the first area of the empirical research - the responsibility of auditors for preventing and detecting frauds in financial statements and the "expectation gap" regarding the accountability of the auditors related to fraud in financial statements. Data analysis is made at the level of disaggregated data - for each group separately, and the average score for data is calculated as follows:

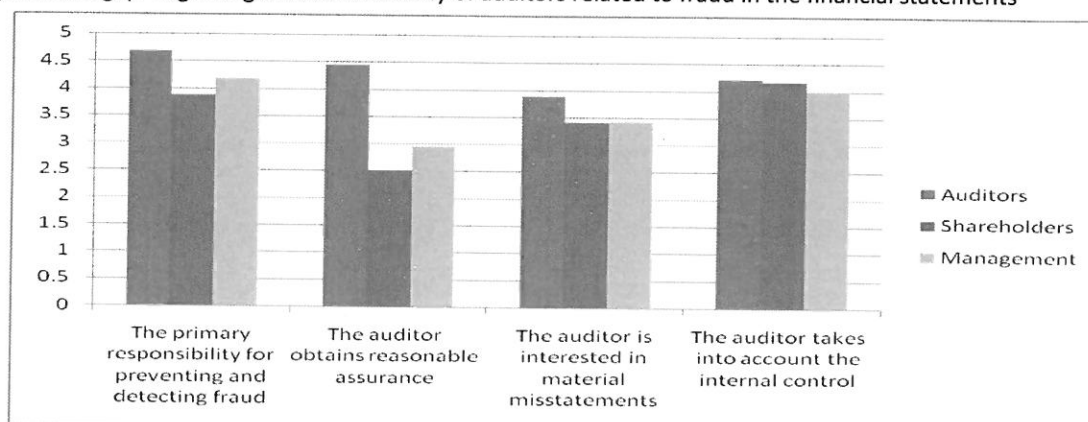
$(\text{No. of respondents who chose answer 1}) * 1 + (\text{No. of respondents who chose answer 2}) * 2 + (\text{number of respondents who chose answer 3}) * 3 + (\text{number of respondents who chose answer 4}) * 4 + (\text{number of respondents who chose answer 5}) * 5 / \text{total number of respondents.}$

In addition, the same data is also processed as an aggregate sample ie the total sample of respondents from the three groups (auditors, shareholders and management of joint stock companies) and the total average score is calculated as the sum of the average estimates for the data for each group separately divided by 3.

Table4. Auditors' responsibility for preventing and detecting fraud in the financial statements and the "expectation gap" regarding the accountability of auditors related to fraud in the financial statements

Offered answers	Total (average)	Auditors (average)	Shareholders (average)	Management (average)
The primary responsibility for preventing and detecting fraud lies with those who are responsible for managing and managing the entity	4.24	4.67	3.88	4.18
The auditor conducting the audit in accordance with ISAs obtains reasonable assurance that the financial statements taken as a whole are exempt from material misstatement, whether due to fraud or error	3.33	4.44	2.52	2.94
The auditor is interested in material misstatements, and is not responsible for detecting misstatements that are not material to the financial statements taken as a whole	3.58	3.89	3.41	3.43
In carrying out the risk assessment, the auditor takes into account the internal control relevant to the preparation of financial statements by the entity in order to design audit procedures that are appropriate in the circumstances, but not in order to express an opinion on the effectiveness of the entity internal control	4.13	4.22	4.17	4.00

Chart4. The responsibility of the auditors to prevent and detect fraud in the financial statements and the "expectation gap" regarding the accountability of auditors related to fraud in the financial statements



According to ISA 240, the primary responsibility for preventing and detecting fraud and irregularities remains with the management and those responsible for governance. Auditors, shareholders and management greatly agree that the primary responsibility for preventing and detecting frauds in financial statements is on management and those responsible for governance. For the three groups of respondents, the calculated average score of agreement with the statement "The primary responsibility for preventing and detecting fraud lies with those responsible for the management and management of the entity" is 4.24. According to that, follows the conclusion that among the three groups of respondents there is no disagreement over the issue whose primary responsibility is to prevent and detect fraud in the financial statements.

The average assessment of auditors' compliance with the statement "The auditor conducting the audit in accordance with ISAs obtains reasonable assurance that the financial statements taken as a whole are exempt from material misstatement, whether due to fraud or error" is 4.44, on shareholders 2.52, and the management 2.94. The statistically significant difference between the attitudes of the auditors on the one hand and the shareholders and the management on the other, in relation to the auditors' responsibility for obtaining reasonable assurance that the financial statements taken as a whole are exempt from material misstatement, whether due to fraud or error, confirms the existence of a "expectation gap" in the Republic of Macedonia regarding the responsibility of auditors to detect fraud.

The average assessment of the auditors' agreement with the statement "The auditor is interested in material misstatements, and is not responsible for detecting misstatements that are not material for the financial statements taken as a whole" is 3.89, for the shareholders 3.41, the management 3.43, and for the three groups of respondents the calculated average score of concurrence is 3.58. Therefore, it follows that the three groups of respondents are familiar with the essence and significance of the concept of materiality and that any attempt to completely ignore it or partial application of certain segments of the financial statements increases the danger of implementing an irrational, uneconomic and unsuccessful audit.

The average assessment of auditors' compliance with the statement "When carrying out a risk assessment, the auditor takes into account the internal control relevant to the preparation of financial statements by the entity in order to design audit procedures that are appropriate in the circumstances, but not in order to express an opinion on the effectiveness of the entity's internal control" is 4.22, the shareholders 4.17, the management 4.00, and the calculated average assessment score for the three groups of respondents is 4.13. Such results indicate that the respondents are aware that the assessment of the adequacy and effectiveness of internal control systems is the responsibility of the management and the internal auditors, not the external auditors. On the other hand, external auditors should provide a separate letter regarding any material weaknesses in the design or implementation of internal control that they have observed during the audit.

In Table 5, 6 and 7 and Charts 5, 6 and 7, detailed data on the structure of the sample are presented with respect to the second empirical research area - the responsibility of auditors for preventing and detecting frauds in the financial statements and the "expectation gap" about the responsibility of auditors related to fraud in the financial statements. The data analysis is made at the level of disaggregated data - for each group separately, and the average score for data is calculated as follows:

$(\text{No. of respondents who chose answer 1}) * 1 + (\text{No. of respondents who chose answer 2}) * 2 + (\text{number of respondents who chose answer 3}) * 3 + (\text{number of respondents who chose answer 4}) * 4 + (\text{number of respondents who chose answer 5}) * 5 / \text{total number of respondents}$

In addition, the same data is also processed as an aggregate sample, ie the total sample of respondents from the three groups (auditors, shareholders and management of joint stock companies) and the total average score as a sum of the average estimates for the data for each group is separately divided by 3.

What is the most effective measure of fraud detection in the financial statements?

Table5. The most effective measure for detecting fraud in the financial statements in the opinion of the three groups of respondents - auditors, shareholders and management

Offered answers	Auditors	Shareholders	Management
External audit of financial statements	3.89	3.17	3.56
Forensic audit	4.44	3.88	4.19
Anonymous notification mechanism	3.39	2.94	3.31
Internal controls of the entity	3.72	3,00	4.00

Chart5. The most effective measure for detecting fraud in the financial statements in the opinion of the three groups of respondents - auditors, shareholders and management

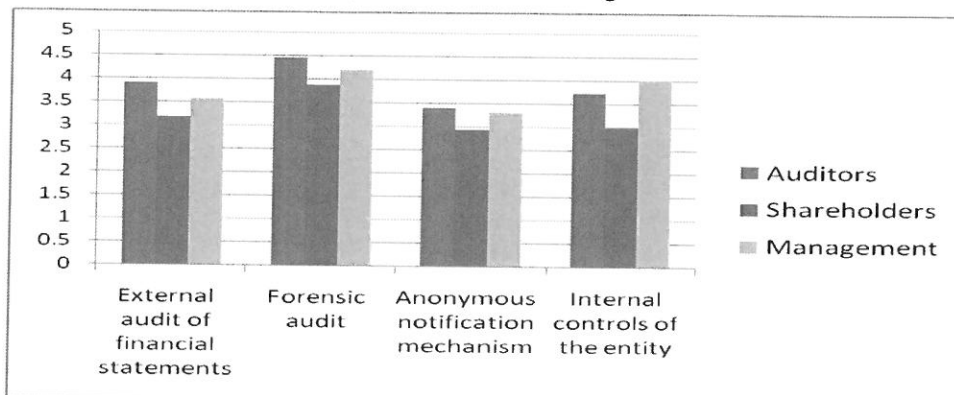


Table 5 and Chart 5 show the results of the examination of the effectiveness of possible fraud detection measures in the financial statements. All three groups of respondents assess the forensic audit the highest, ie, according to all three groups of respondents, the most effective measure for detecting fraud in the financial statements is the forensic audit. Such results indicate that auditors, shareholders and management in the Republic of Macedonia. Macedonia is acquainted with the benefits of the forensic audit and its contribution to detection of fraud in the financial statements.

The results of the research show that the external audit of the financial statements, in the opinion of the three groups of respondents, is the second most effective measure for detecting fraud in the financial statements. Auditors are pretty confident that if there is fraud in the financial statements they will discover it. The high level of trust of the shareholders and the management in the independent external audit as a measure for detecting fraud in the financial statements is not surprising, given the fact that we previously identified the existence of the "expectation gap" and the attitude of the shareholders and the management as users of the audit report, require an external audit to provide an absolute guarantee that the financial statements taken as a whole are exempt from material misrepresentation as a result of fraud.

Regarding the effectiveness of the entity's internal controls for detecting fraud, the results of the research show that auditors and management are almost agreeable, suggesting that the management is aware of the responsibility it has in designing, implementing and maintaining an efficient internal system controls that will contribute to the preparation and objective presentation of financial statements that will be free from material misstatements as a result of fraud. On the one hand, the high level of auditors' confidence in the effectiveness of the entity's internal controls can be explained by the fact that according to ISA, the primary responsibility for preventing and detecting fraud lies with those who are responsible for the management and entity management. But, on the other hand, this does not mean that auditors who have had a positive background in the past regarding the efficiency of the entity's internal control should fully rely on internal controls rather than using professional judgment to determine the extent of the understanding they need for the entity and its environment, including the internal control.

We may try to explain the lower level of trust among shareholders regarding the effectiveness of internal controls in fraud detection with the potential for overcoming controls by the management and the impact on the perceptions of the users of the financial statements in terms of performance and profitability of the entity, in order to deceive current and future investors. Hence, shareholder's decision not to rely entirely on the effectiveness of internal controls, but to require additional assurance that the financial statements taken as a whole are exempt from material misstatements as a result of fraud.

According to the opinion of all three groups of respondents, the effectiveness of the mechanism of anonymous reporting in relation to fraud detection does not deviate much compared to the effectiveness of internal controls, and the highest rating is that of auditors who are likely to follow global statistical surveys on fraud, which regularly show that with the mechanism of anonymous reports a large number of frauds are revealed.

For which entities should a mandatory forensic audit be prescribed?

Table6. Entities for which mandatory forensic audit should be prescribed in the opinion of the three groups of respondents - auditors, shareholders and management

Offered answers	Auditors	Shareholders	Management
For all business entities	2.22	2.24	2.38
For all joint stock companies	3.78	4.06	3.69
For banks and other financial institutions	4.33	4.26	4.50
A mandatory forensic audit should not be introduced	2.56	2.76	3.19

Chart6. Entities for which mandatory forensic audit should be prescribed in the opinion of the three groups of respondents - auditors, shareholders and management

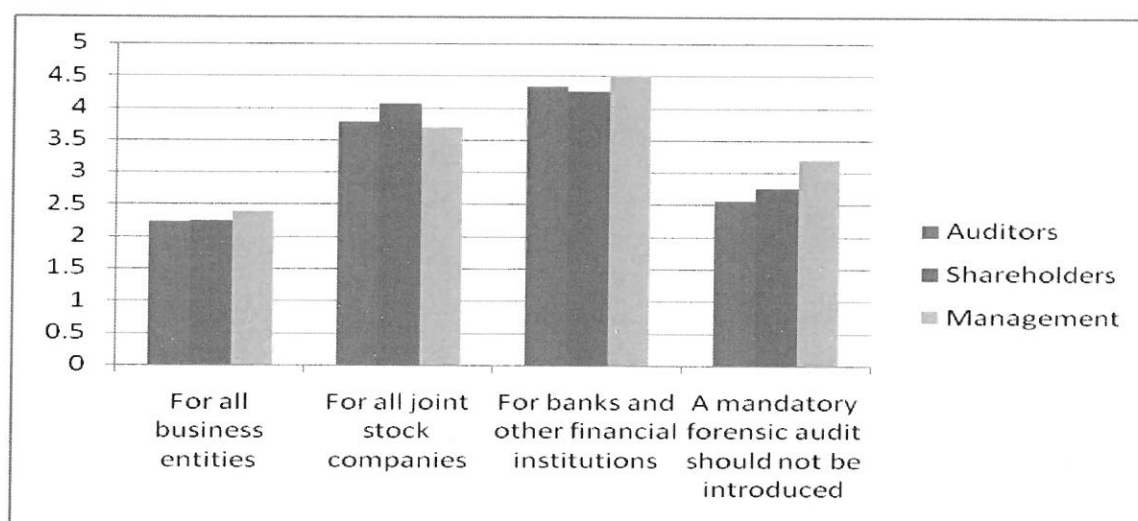


Table 6 and Chart 6 show the results of the examination of the justifiability of the compulsory application of the forensic audit for different entities. All three groups of respondents believe that mandatory forensic audit should primarily be prescribed for banks and other financial institutions. Except for banks and other financial institutions, the respondents consider that mandatory forensic auditing should be prescribed for all joint stock companies, which leads to the conclusion that it may be useful to show consideration of the application of mandatory forensic audit for all entities of public interest.

What is the most appropriate model for the forensic audit of the audit organization and practice in the Republic of Macedonia?

Table7. The most appropriate model of forensic audit for the audit organization and practice in the Republic of Macedonia in the opinion of the three groups of respondents - auditors, shareholders and management

	Total (average)	Auditors (average)	Shareholders (average)	Management (average)
Inclusion of the forensic auditor in the regular audit of the financial statements	3.53	3.28	3.41	3.37
A mandatory scheduled forensic review once a year	2.40	2.83	2,00	2.38
Mandatory announced forensic review once in two years	2.34	2.67	1.65	2,69

Mandatory unannounced forensic review once a year	3.95	3.67	3.88	4.31
Mandatory unannounced forensic review once in two years	3.38	3.11	3.47	3.56

Chart7. The most appropriate model of forensic audit for the audit organization and practice in the Republic of Macedonia in the opinion of the three groups of respondents - auditors, shareholders and management

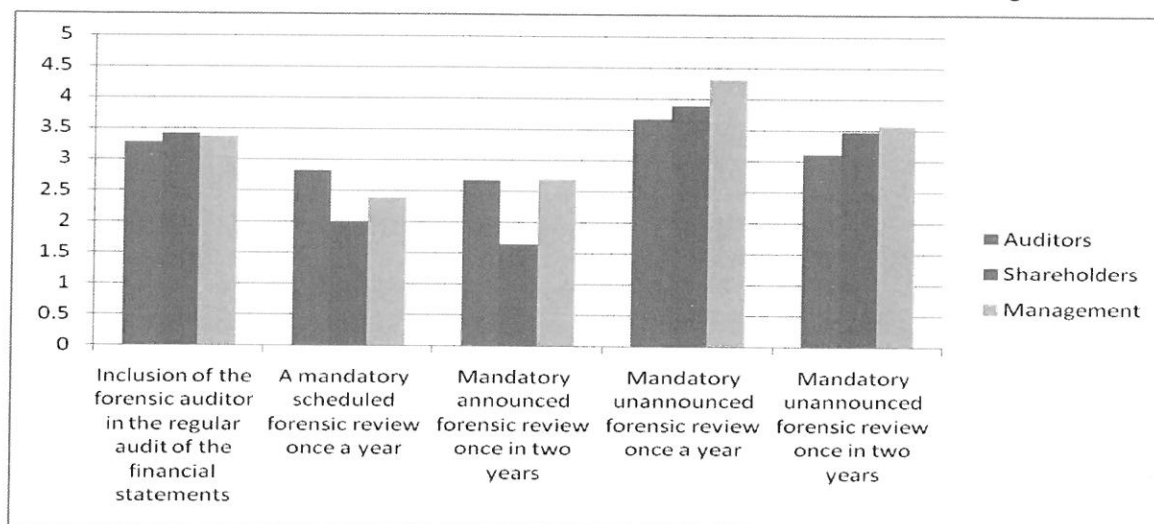


Table 7 and Chart 7 show the results of the examination of the suitability of five different forensic audit models for the audit organization and practice in the Republic of Macedonia. All three groups of respondents believe that the models according to which the forensic audit conducted is announced once a year or once in two years is unsuitable. In the opinion of the three groups of respondents, the forensic audit can be an effective measure for preventing and detecting fraud in the financial statements only if it is implemented unannounced, once a year or once in two years, because the perpetrator of the fraud (management or employees) can not predict whether, and when, a forensic auditor will come to the entity. The model according to which the forensic auditor is included in the regular audit of the financial statements can also be considered as an acceptable option, given the fact that at the moment there are no conditions for independent development and forensic audit activity.

CONCLUSION

According to ISA, the responsibility for the presented financial statements is on the management of the entity, while the responsibility for auditing them is on the auditor. The auditor is also responsible for the accuracy of the applied audit procedures and techniques, the validity of the evidence collected, the assessment of the evidence and the expressed opinion in the audit report, the authenticity and honesty of the presented data in the client's financial statements in accordance with the accounting standards and other legislation. With the acceptance of the audit engagement, the auditor assumes professional responsibilities towards the client, the public and other members of the audit profession. The auditor must maintain public confidence in the profession by maintaining independence, integrity and objectivity. When performing the audit of the financial statements, the auditor must comply with the International Standards on Auditing, the Code of Professional Ethics and many other legal acts related to the audit.

According to ISA 240, the primary responsibility for preventing and detecting fraud and irregularities remains with management and those responsible for governance. Also, the results of the conducted research show that there is no disagreement over the issue whose primary responsibility is to prevent and detect fraud in the financial statements. Management should make maximum effort to prevent fraud and error by designing, implementing and maintaining a system of internal controls, which will result in the preparation and fair

presentation of financial statements that are free of material misstatements, whether are the result of fraud or error and apply appropriate accounting policies as well as making accounting estimates that are reasonable in the circumstances.

If the risk of fraud is estimated, the auditor must find appropriate responses. The general answers include: reviewing the designated staff, reviewing accounting policies used by the entity, and incorporating an element of unpredictability in the audit.

From what has been said so far, the conclusion that the auditor in the course of the audit of the financial statements has fully fulfilled its responsibility for detecting fraud, if by its independent position, the consistent application of the relevant audit standards and the observance of the Code of Professional Ethics, experience and acquired knowledge about the manner of execution of the frauds, has completely used them in the direction of their disclosure and reporting.

Auditors' responsibility for deception in financial statements is an issue that continuously monitors the audit theory and practice and does not lose its actuality. Through the past years, auditors and other stakeholders have expressed different views on the responsibility of auditors in relation to fraud in the financial statements. In doing so, it is concluded that some of the stakeholders can not fully understand the responsibilities of the auditors regarding the fraud in the financial statements, which is the reason for the so-called. gap in expectations. The results of the conducted empirical research confirm the existence of a gap in expectations among users of the audit report.

Unlike the audit profession where the disclosure of fraud and errors in the financial statements is an important but still secondary activity in the audit process of the financial statements, the shareholders and the management of the joint stock companies, as users of the audit report, expect absolute assurance from the auditors that the financial statements are free of material misstatements.

The forensic audit as a newer discipline within the audit, since it is primarily aimed at detecting fraud in the financial statements fills in the "expectation gap" that occurs among users of financial statements who mistakenly believe that the audit of the financial statements "reveals everything".

The fundamental difference between the audit of the financial statements and the forensic audit consists in the fact that external auditors issue an opinion on the reality and objectivity of the entity's financial statements - a client of the audit, while forensic auditors do not issue an opinion, but a report listing all the facts about the existence of fraud. Hence, the main goal of the forensic audit is disclosure of fraud in the client's financial statements, regardless of its materiality, ie the degree of its impact on the reliability and objectivity of the financial statements.

Although there is a big difference between the forensic audit and the audit of the financial statements, both in terms of the materiality and scope of the checks, as well as the reporting of the results of their work, they still have many common points of contact. We have already seen that the methods used in the forensic audit are mostly based on the techniques and methods applied in the audit of the financial statements (inspection, monitoring, analytical procedures, re-calculation, questioning). The methods and techniques used in forensic auditing allow forensic auditors to determine if fraudulent claims are correct.

The results of the research show that auditors, shareholders and management consider forensic revision as an effective measure for preventing and detecting fraud. Accordingly, a forensic audit may provide a greater effect in the detection of frauds if it is legally regulated. In other words, in order for the forensic audit to become an effective measure for preventing fraud, it is necessary for the law to state the possibility of using forensic audits in cases where there is a reasonable doubt to be enforced in order to detect fraud or with an aim to deny the suspicions of having a scam. All this emphasizes the need to create cadres in the field of forensic audit and their continuous retraining. But taking into account the fact that the Republic of Macedonia is a small country, at the moment there are no conditions for independent development and acting of this profession. Accordingly, in this paper, as acceptable models for organizing the forensic audit, are considered models according to which:

- 1) the forensic auditor is included in the process of auditing the financial statements,
- 2) forensic audit conducted at the request of the shareholders, or
- 3) forensic audit conducted on the basis of anonymous report or suspected fraud.

Using the forensic audit experience can be a very useful tool for auditors of the financial statements. Also, in some cases, the forensic audit may complement the audit of the financial statements. It is possible that the auditor during the audit of the financial statements will detect fraud, which due to its small significance does not affect the objective presentation of the financial statements. However, in the letter to the management, the auditor should inform all detected frauds regardless of their significance, after which the management can continue through the forensic audit in order to detect all frauds of the same or similar type.

The forensic audit receives the role of an important measure for preventing and detecting fraud in the financial statements of entities of public interest in the Republic of Macedonia. The forensic audit would reduce frauds, preventive action would be taken with the timely detection and elimination of fraud conditions in the financial statements, the chances of corruption would be reduced. With the help of the forensic audit, it would also contribute to the improvement of the overall economic situation in the country, which would make the Republic of Macedonia more credible with foreign partners.

BIBLIOCHARTY

1. ACCA, Forensic Auditing (Relevant to ACCA Qualification Paper P7) , 2015
2. Blagoj Aceski, Dr. Branko Trajkoski, Internal and External Audit, Faculty of Economics, Prilep, 2004
3. ACFE , CFE Code of Professional Standards Interpretation and Guidance, 2013
4. AICPA (1993), Professional Standards , American Institute of Certified Public Accountants, New York, USA
5. Albić i Ć Pretnar Silviija, Professional Skepticism of Auditors and Risk of Fraudulent Financial Reporting , Mega produkcija doo, Zagreb, 2014
6. Bozinovska Lazarevska Dr. Zorica, Dimitrievska Maria, Professional Skepticism and Skills for Revealing Scams in Auditing - accounting students, versus external auditors , Yearbook at the Faculty of Economics - Skopje, Volume 50 (2014), Skopje, 2015
7. Bozhinovska Lazarevska Dr. Zorica, Audit , second edition , Faculty of Economics, Skopje, 2011
8. Center for audit quality, Closing the expectation gap in deterring and detecting financial statement fraud: a roundtable summary, Washington, April 2013
9. Center for audit quality, Deterring and detecting financial reporting fraud, A platform for action , Washington, october 2010
10. Dimitrova Dr. Janka, The Responsibility of Accountants, Management and Auditors on the reliability, quality and credibility of the financial statements , University " Goce Delchev " , Faculty of Economics - Stip, Stip 2013
11. Dimitrova Dr. Janka, " Audit (theoretical and practical aspects)" , University " Goce Delchev " , Faculty of Economics - Stip, Stip 2012
12. Audit Company Audit Macedonia LLC (2016) , Forensic Audit , Newsletter 02/2016
13. Law on Audit (" Official Gazette of the Republic of Macedonia No. 79/2005)
14. Ilievska Biljana, Forensic Audit of the Financial Statements of Business Entities in the Republic of Macedonia, Faculty of Economics - Prilep, Prilep 2014
15. Jovanova B. Kostadinovski A. Expectation Gap - current phenomenon in contemporary auditing profession , University " Goce Delchev " , Faculty of Economics - Stip, Stip 2011