



# *PROBLEMS IN AUDIT AND REPORTING IN BULGARIA'S FORESTRY*

*Assoc. prof. Dr. Daniela Ventsislavova Georgieva  
International business school – Botevgrad, Bulgaria*

*AND*

*Dr. Diana Bankova*

*Counteraction to Crime and Public Order Protection, Police Faculty, Academy of the Ministry of  
Interior, Sofia, Bulgaria*

# *Agenda*

1. Introduction
2. Analysis of the financial statements and disclosures of the forestry enterprises in Bulgaria
3. Analysis of audit opinions on the financial statements
4. Conclusions and recommendations

## *Introduction*

- **Main purpose** of the study is to analyze the audit opinions on the annual financial statements of Bulgarian forestry for 2017 .
- **An additional goal** of the paper is to make an analysis of the statements, annual reports and disclosures about the economic development of the enterprises for the period 2007-2017.
- **A subject** of the study is the quality of the information in the audit reports of forestry in Bulgaria, as a basis for attracting investments, increasing the confidence in the enterprises and achieving sustainability of the industry in macro level.

# *Introduction*

***Main research tasks are:** 1) to study the financial development and strategy of public and private forestry, as well as to compare it with the adopted and applied accounting policies; 2) to examine the audited opinions of the financial statements of the target group enterprises for 2017, as well as to analyze the quality of the audit performed and in this respect the reliability of the financial statements.*

The adopted **research methods** are logical, deductive and comparative methods, as well as the methods of analysis and synthesis

# *Analysis of the financial statements and disclosures of the forestry enterprises in Bulgaria*

- 33% - have no published statements for some of the years in the scope of the survey.
- Nearly 73% have no published annexes to the statements.
- All companies applying IAS publish richer textual information.
- All companies under analysis apply a stabilization accounting policy.

## *Analysis of the financial statements and disclosures of the forestry enterprises in Bulgaria*

- Nearly 40 % account losses for most of the years. They state: deteriorating financial condition and autonomy, and liquidity indicators based mainly on asset ownership problems, bad debts, and low quality of the human capital. They point out the **need** for a recovery policy and implementation of strategies related to design and construction of forest roads; renewal of fixed assets and improvement of material and technical base; increase of revenue collection; staff training; active participation in EU projects; cooperation with research and educational institutions.

Table 1. Audit opinions on the financial statements of forestries for 2017

No	Company	Auditor`s opinion
1.	Agrovodinvest	Unmodified opinion, but there is a problem with disclosed information in section IV Other disclosures, item 2 "Contingent assets and liabilities". There is a large number of objects with unclear technical and physical conditions.
2.	Vrana	Unmodified opinion
3.	Zeminvest	Qualified opinion. In the auditor`s report it is pointed: 1) accumulated losses; 2) the equity is below the amount of the share capital; 3) there is significant uncertainty as to whether the entity is operating; 4) the real value of the tangible fixed assets has not been determined and sufficient and relevant audit evidence has not been obtained; 5) there are significant increases in liabilities to staff.
4.	Southeastern State Enterprise	Unmodified opinion
5.	South Central State Enterprise	Unmodified opinion
6.	Southwestern State Enterprise	Unmodified opinion

Source: own analyses based on data extracted from <https://public.brra.bg/>

7.	Irrigation systems	<p>Qualified opinion. In the auditor's report it is pointed: 1) the owned properties, machines, facilities, lands, buildings are not used and depreciated, as their future use is very limited due to their poor condition; 2) the owner of part of the assets is not identificate; 3) there is a possibility for overestimation of the value of the assets; 4) there are immovable inventories, and there are impairments of materials and products; 5) no confirmations have been received from no confirmations have been received from external sources regarding trade receivables and payables; 6) there is a termination of a contract with a key supplier, the occurrence of a lawsuit, which leads to an unclear financial result; 7) court cases have been filed in which the company is a defendant and leads to limitation of the period for accrual of provisions; 8) the company's equity includes reserves that are formed as a result of revaluation of assets. About the limitations, the assessment and completeness of the reserve have not been established; 9) the activity of the company is carried out with morally and physically obsolete assets, as it has not been established whether the submitted quantities of water masses to the users are reported correctly and aren't completed; 10) difference in the prices for sale of water; 11) it is not clear how exactly the revenues and expenditures related to grants provided by the state are distributed; 12) unclearly charged repair costs; 13) there is significant uncertainty as to the company to going concern basis.</p>
8.	Northwestern State Enterprise	Unmodified opinion
9.	Northeastern State Enterprise	Unmodified opinion

Source: own analyses based on data extracted from <https://public.brra.bg/>

# *Conclusions*

- The information in the financial statements and audit reports of Bulgarian forestry is asymmetric.
- The adopted and applied accounting policy do not correspond to the environment and the overall strategy of the enterprises.
- Weaknesses are identified in the control environment, which should be tested and updated to minimize losses to companies and the state treasury.
- There is a need for improvement of the audit reports.

# *Recommendations*

- Factors affecting the audit quality that needs to be improved are: the way of receiving information, the procedures, the results of the performed procedures, key actions for the preparation of the financial statement and contextual factors.
- To carry out additional alternative procedures by the auditors, such as the possibility to monitor the process of handing over and calculating the harvested timber, tracking the way of tickets which are issued and etc.

# *Recommendations*

- To make a detailed review of internal and external environmental factors in order to update the accounting policy and link it to the strategy of the organization.
- To improve the control of publicly disclosed information by forestry in order to avoid lacks and non published data.
- To review the requirements for additional qualifications and knowledge for auditors.
- In addition to the external audit, the internal audit in enterprises should be improved.



*Thank you for your attention!*

***Presenter: Daniela Ventsislavova Georgieva***

E-mail: [dgeorgieva@ibsedu.bg](mailto:dgeorgieva@ibsedu.bg)

ResearchGate: [https://www.researchgate.net/profile/Daniela\\_Georgieva7](https://www.researchgate.net/profile/Daniela_Georgieva7)

Scopus preview: <https://www.scopus.com/authid/detail.uri?authorId=57194270351>