
FEATURES OF ORGANIZATION OF AUDITING BASED ON INTERNATIONAL STANDARDS IN UZBEKISTAN

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Abstract

Keywords: Audit planning, international auditing standards, audit, general audit plan, audit program, financial reporting, audit report

This article is devoted to the normative and methodological issues of organizing an audit based on international standards in Uzbekistan, and the problems of organizing an audit based on the requirements of international standards, the stages of conducting an audit based on these standards, and the content of the tasks performed in them are revealed theoretically and practically.

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INTRODUCTION

In today's modern audit practice of the world, in order to ensure the quality and international recognition of audits, it is required to organize them using modern software tools in accordance with international auditing standards. In accordance with the international standards of auditing, audits in Malaysia and Singapore are organized entirely based on the requirements of international auditing standards, while in countries such as Australia, Brazil, and the Netherlands, audits are conducted partially based on the requirements of international standards, taking into account their national characteristics. It should be noted that in recent years, the main goal of the world audit practice is to provide audit guarantees to business entities by applying international audit standards, that is, to transfer the audit practice from "confirmation" to "guarantee". Currently, in the improvement of auditing practice by the leading countries of the world, ensuring that inspections are conducted in full accordance with international auditing standards, implementing the legislation and advanced experience of developed countries, creating a modern system of professional certification and licensing of auditors based on international standards are among the most urgent and necessary issues to be studied.

, many scientific studies aimed at organizing the planning and conducting of audits based on international standards are being carried out. As a result of the research carried out in

international audit practice, procedures for organizing an audit, determining the levels of audit risk and importance, and ways to reduce risk have been developed, a single methodological procedure has been achieved for evaluating the sufficiency of evidence in forming a reliable auditor's opinion and presenting the results of the audit, KAS (international auditing standards) issues of forming the auditor's report and conclusion that meet the requirements are scientifically based. As a result of these studies, the generally accepted principles of the United States (GAAP), international standards of financial reporting and IAS regulations were achieved, and the standard forms of the auditor's report and conclusion, as well as the method of conducting the audit, were recommended. However, in spite of the above, the issues of organizing and conducting audits in accordance with international standards, automating audits and documenting audit results have not been comprehensively studied in the current world audit practice, which requires conducting in-depth scientific research in this regard.

LITERATURE REVIEW

Today, in our country, a strong regulatory and legal framework of auditing activities and a unique national auditing services market have been formed, effective economic factors and tax incentives are used for its development, the licensing system of auditing activities has been seriously simplified and liberalized. Despite the positive results of the implemented reforms, "... national standards of auditing activities do not fully correspond to the generally recognized international auditing standards, which does not ensure the formation of the ability of foreign investors to understand the truthfulness of financial reports of local enterprises..."¹. On the other hand, issues such as improving the practical and methodological aspects of planning and conducting audits, using advanced foreign experience and software tools in audits, documenting, summarizing and evaluating the results of audits based on international standards have not been comprehensively studied in order to ensure the performance of the above tasks, in particular, planning and conducting audits requires deep scientific research on improvement.

Decrees of the President of the Republic of Uzbekistan No. PF-4720 of April 24, 2015 "On measures to introduce modern corporate management methods in joint-stock companies" and No. PF 4947 of February 7, 2017 "On the strategy of actions for further development of the Republic of Uzbekistan", Uzbekistan Decision of the President of the Republic of September 19, 2018 PQ No. 3946 "On measures to further develop auditor activities in the Republic of Uzbekistan" and President's Decree of August 4, 2021 "On additional measures to improve the auditor certification system" No. PQ 5210 This research work serves to a certain extent the implementation of the tasks defined in the decision.

Many foreign economists have conducted scientific research on creating and improving the theoretical and methodological basis of planning and conducting an audit. Among them A. Arens, R. Adams, M. Benis, R. Dodge, D.R. Carmichael, Dj. Lobbek and Dj. Robertsons² can be

¹Resolution No. PQ-3946 of the President of the Republic of Uzbekistan dated September 19, 2018 "On measures to further develop audit activities in the Republic of Uzbekistan". <http://lex.uz/docs/3914502>

²Arens A., Lobbek Dj. Audit. Per. English pod ed. Ya.V. Sokolova. -M.: Finance and statistics, 2013. -560s; Adams R. Basic audit. Per. s ang./ pod ed. Ya.V. Sokolova. - M.: YUNITI, 2015. -398 p.; Dodge R. Kratkoerukovodstvo po standardam normam audita. Per. s

included. Some aspects of the topic were discussed by N.P., an economist-scientist of the CIS countries. Baryshnikov, N.T. Belukha, S.M. Bychkova, P.I., N.P. Kamyshanov, J.A. Kevorkova, S.A. Stukova, V.P. Suets, A.A. Terekhov and A.D. Studied by Sheremet.³

Mainly, foreign economists conducted scientific researches on creation of theoretical and methodical basis of auditing methodology and its improvement. E. A. Arens, Dj. K. Lobbek, A. D. Sheremet and V. P. Suyts can be included among them. Economists of our republic have studied only the theoretical aspects of auditing activities in textbooks, monographs and training manuals, as well as published scientific articles and theses. For example, in the works of R.D. Dosmuratov, A.A. Karimov, Z.T. Mamatov, B.Q. Khamdamov, M.M. Tulakhodjaeva, I.I. Meliev and I.N. Koziev, the theory of planning and conducting an audit the problems of development of the foundations are studied.

It is worth noting that in the scientific works of the above-mentioned economists, not much attention was paid to the study of the methodology of auditing, and the fact that the current regulatory legal documents are changing in accordance with the conditions of modernization and diversification of the economy indicates the need to conduct deep scientific research in this field.

RESEARCH METHODOLOGY

During the research, scientific methods of studying the processes of economic reality - generalization, grouping, logical and comparative methods of analysis, abstract-logical thinking, comparative analysis, statistics, perspective forecasting and grouping - were widely used.

ANALYSIS AND RESULTS

It is known that audits have been conducted in Uzbekistan since January 1, 1993. Today, 651 auditors are working in 102 audit organizations in the audit system of the republic⁴. In particular, in 2020, 5,098 economic entities were subject to mandatory and initiative audits, of which 870 economic entities were audited based on international audit standards.

In this regard, the set of regulatory and legal frameworks of audit activities in our Republic has been perfected at the level of world standards and their content has been simplified. In particular, in accordance with the order of the Minister of Finance of the Republic of Uzbekistan No. 3316 dated July 30, 2021, 33 departmental normative legal documents related to audit (mainly national auditing standards) were declared invalid. At this point, it should be noted that today in the audit system of Uzbekistan, the Law "On Auditing Activities" containing Article 55, adopted on February 25, 2021, the Decree of the President of the Republic of Uzbekistan on September 19, 2018 "On Measures for the Further Development of Auditing Activities in the

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³Baryshnikov N.P. Organization and method of proofing obshchegoaudita. 4-e izd. perer _ idop. - M.: Filin, 1998.-528s; Belukh N.T. Audit. Textbook "Znaniya", KOO, 2000.-769 p.; Bychkova S.M. Auditorskayadeyatelnost. Theory and practice.- SPB.: Lan, 2000.-320p.; S.A. Stukova.- M.: Finansyistatistika, YuNITI, 1992. -240p.; Kamyshanov P.I. Prakticheskoeoposobie po auditu. -M.: INFRA-M. 1996.-522 p.; Terekhov A.A. Audit: prospective development. - M.: Finance and statistics, 2001. -560 p.; J.A. Kevorkova. International standard audit. - M.: Yurayt, 2014.-458s.; Suits V.P., Sheremet A.D. Audit. Textbook.- M.: INFRA-M, 2009. -4 56 s.

⁴Information from the website of the Ministry of Finance of the Republic of Uzbekistan <https://www.mf.uz>

Republic of Uzbekistan " - No. 3946 Decision and the President's order of August 4, 2021 " On additional measures to improve the auditor certification system " No. PQ-5210 Regulatory documents, such as the decision, serve as the main normative-methodical basis. Also, starting from January 1, 2022, all audits in the Republic will be conducted on the basis of international auditing standards. Public associations such as the "Department of Accounting and Audit Methodology" of the Ministry of Finance of the Republic of Uzbekistan, the National Association of Accountants and Auditors of Uzbekistan, the Chamber of Auditors of Uzbekistan, and the Federation of Accountants of Uzbekistan in order to coordinate the organization and conduct of audit activities in accordance with the above-mentioned regulatory documents. is widely operating.

In our opinion, the above indicators cannot be considered sufficient for the current state of development of audit activity in our republic. In our opinion, we believe that it is necessary to pay special attention to the following aspects in the further development and improvement of the audit activity of Uzbekistan:

In accordance with the Decree No. PF-6300 of the President of the Republic of Uzbekistan dated August 27, 2021 " On measures to further improve the state financial control system", planning and conducting external audit activities based on the international standards of Supreme Audit Institutions (ISSAI) , financial audit, compliance audit and performance audit, as well as development of standards for implementation of risk analysis in state financial control. In our opinion, in order to ensure the performance of these tasks, we believe that it is appropriate to establish the "State financial control" educational direction at the bachelor's and master's degrees, as well as the relevant master's specialty. This, along with ensuring the implementation of the requirements of the above-mentioned regulatory documents, will create an opportunity to assess the correctness of financial processes, compliance with regulatory documents, and the effectiveness of their activities in the activities of organizations such as the Ministry of Health, the Ministry of Employment and Labor Relations, the Ministry of Water Management, and the Ministry of Higher and Secondary Special Education. .

Also, in our opinion, as a result of providing wide opportunities to the activities of economic entities in our Republic, the demand and needs for professional internal auditors in them is increasing. Taking into account this situation, we consider it appropriate to organize a bachelor's education course for training internal auditors in the higher education system that prepares economic specialists-personnel. This, in turn, provides the above-mentioned business entities with qualified internal auditors-experts, according to the decision of the President of the Republic of Uzbekistan "On measures to further develop the stock market" No. PQ-475 of September 27, 2006, the balance sheet value of their assets is 1 billion. organization of internal audit in enterprises with assets exceeding 100,000 soums, as well as in joint-stock companies with a balance sheet value of more than one hundred thousand times the base calculation amount, approved by Appendix 2 of the Resolution No. 215 of the Cabinet of Ministers of the Republic of Uzbekistan dated October 16, 2006 " **Regulation** on the internal audit service in enterprises **and the Resolution** of the Cabinet of Ministers No. 280 of May 5, 2021 "On measures to improve the system of training employees of the internal audit service".

It should be noted that the following problematic aspects are highlighted in the

organization and conduct of inspections based on international standards in Uzbekistan today (Table 1):

Table 1

Audits in the Republic based on international standards organization problems⁵

1	According to the legislation, it is mandatory to conduct audits based on international standards from January 1, 2022, but due to the fact that this procedure is being used for the first time in the republic, there is insufficient practical experience in this regard and insufficient auditor-experts who have fully mastered the norms and procedures of international auditing standards.
2	Lack of perfect translation of all international auditing standards in practical content, official Uzbek language in auditing organizations
3	Inadequate formation of the necessary criteria and methodology to align the national audit practice with the requirements and norms established in the international audit standards
4	Inadequate skills and experience in the content, importance and practical application of international standards of financial reporting and international standards of auditing of business entities operating in the Republic (the fact that national or traditional auditing procedures are still used in practice)
5	Inadequate skills and experience in the content, importance and practical application of international standards of financial reporting and international standards of auditing of business entities operating in the Republic (the fact that national or traditional auditing procedures are still used in practice)
6	The lack of development of official Uzbek-language regulatory documents, educational and methodological manuals, textbooks and methodological instructions on the application of international standards of auditing in the republic at the level of modern requirements
7	Lack of coordination and practical cooperation between the republican auditing practice and the field of training qualified personnel for auditing at the level of modern requirements in researching the international standards of auditing

Banks, insurance organizations, joint ventures and joint-stock companies engaged in large-scale service or production activities are the main clients or audit objects of audit organizations in the practice of Uzbekistan. Another problematic aspect of today's audit practice is that these audits are not conducted in most cases on the basis of strict deadlines and procedures established in the contract. This leads to the emergence of various contractual disputes between audit organizations and business entities. In our opinion, the main reason for the occurrence of such a situation is the fact that the relevant audit evidence is not provided on time by the economic entities and, as a result, the auditors do not complete their analysis on time, and the international standards and automated programs are not sufficiently used in accounting and auditing activities. Together with the above, a natural question arises in the process of researching the auditor's activity, that is, on the basis of what order or sequence is the audit (mandatory audit) conducted? We clarify this question based on the following table (Table 2).

Table 2

Stages of auditing based on international standards and tasks performed in them⁶

⁵Prepared by the author

No	Tasks to be performed	Documents to be studied and compiled by the auditor
I	PRELIMINARY PLANNING	
	<p>Acquaintance with the activities of the audit client by the audit organization, providing the client with the appropriate license entitling the client to conduct audit activities and information on the qualification certificates of the auditor (auditors), collecting information about the internal and external characteristics of the audit client, assessing the potential of the client entity to undergo an audit, agreeing on the terms of the audit contract with the management of the client entity, forming an audit working group to check the client, and finally formalizing the audit contract, etc. In this process, the auditor needs to obtain the following information from the audited business entity:</p> <ol style="list-style-type: none"> 1. Information on external factors affecting the financial and economic activity of the economic entity; 2. Information on internal factors affecting the financial and economic activity of the economic entity; 3. Information on the characteristics of the activity of the customer of the audit and the requirements of the legal documents regulating these types of activity". 	<ol style="list-style-type: none"> 1. Charter of an economic entity; 2. Documents on the registration of the economic entity; 3. Documents regulating the accounting policy of the economic entity and making changes to it; 4. Documents on the registration of the economic entity; 5. Minutes of meetings of shareholders of supervisory and (or) executive bodies or meetings of other similar management bodies of the business entity 6. Accounting reports; 7. Statistical reports; 8. Contracts and transactions of the economic entity; 9. Reports of internal auditors ; 10. List of branches and subsidiary companies of the enterprise; 11. Documents regulating the production and organizational structures of the economic entity, the list of its branches and subsidiary companies"; 12. Information on the qualification level of experts of the audit organization (in order to assess the adequacy of experts who understand the field of activity of the audit client and to determine the need for expert services). 13. General information describing the activities of the business entity.
II	PREPARATION OF THE GENERAL PLAN OF THE AUDIT	
	<p>Development of a working document that reflects the general tasks performed during the audit, the deadlines for their implementation, the list of task performers and the list of audit methods used in the audit</p>	<p>Fixed assets, including fixed assets under financial lease, intangible assets, fixed assets for installation and repair, capital investments, materials, production or service, finished goods, goods, future period and deferred expenses, receivables and payables, investments, settlements with workers and employees, lump sum payments to suppliers and contractors, lump sum payments to the budget, payments to insurance and state trust funds, obligations of the founders regarding the contribution of shares to the charter fund, funds in the cash register, funds in accounts and special accounts, received lump sums, payments on debt to the budget, payments on debt to insurance and state trust funds, debts of the founders, the process of formation and use of the charter, reserve and added capital, undistributed profit (unreimbursed loss), targeted income, income from the main (operational) activity, sold product (work, service) cost, other income from the main activity, period expenses, financial expenses, profit from financial activity, a list of accounting documents on off-balance sheet transactions, transactions on disputes, etc., and a general audit plan should be prepared by the head of the audit team.</p>

⁶Prepared by the author

III	PREPARATION OF THE AUDIT PROGRAM	
	<p>The general audit plan contains the stages of performance of tasks, the complete structure of the executors and the distribution of tasks, the exact time and deadlines for the performance of tasks, the analytical actions performed during the inspection, and the list of audit work documents to be checked and compiled.creating an audit work document</p>	<p>A list of primary accounting documents for account objects and an audit program should be prepared by the head of the audit team.</p>
IV	CHECK STAGE	
	<ul style="list-style-type: none"> - study the availability and storage status of the client's property and funds; - checking whether the transactions carried out in the business entity are correctly, completely and on time recorded in the accounting accounts; - checking that the transactions carried out in business entities are completed correctly, completely and on time in accordance with the forms and procedures specified in the relevant documents; - determining the legality of the transactions, the authenticity of the documents, the arithmetical and grammatical correctness of the calculations contained in them, the compliance of the documents with the specified forms; - to study whether the economic transactions were actually carried out or correspond to the information of the valid primary documents; - to compare the analytical account data on the performed transactions with the cumulative account data and to study the reasons for the identified inconsistencies; - verification of the correctness of saving and spending of funds and material assets, the reliability of accounting and reports, compliance with financial discipline in the economic entity; - checking that the business entity's business plan or estimate is correctly drawn up and the procedures for their formalization are followed; - checking and analyzing the correctness and timeliness of the expenses spent by the economic entity, the compliance of the expenses with the goals of the enterprise, the level of fulfillment of production plans by sets, states, contingents; - to assess the activity of the internal control system of the economic entity, to conduct an analysis of the financial and economic activity reports of economic entities, to study the actual status of the implementation of the planned control work plan and to check the quality of the execution of the tasks given by the higher management bodies; - verification of the correctness and legality of the process of formation, assessment and accounting of creditor obligations of the economic entity ; - analysis of the state of formation of debtor obligations of the economic entity, the reasons for its change and ways to reduce it; - Assessment of the efficiency of the economic entity's activity based on the requirements of the decision of the 	<p>The original copies of the primary accounting documents for the account objects are studied , and the auditors draw up audit reports or inventory records for each account object.</p>

	<p>Cabinet of Ministers dated July 28, 2015 No. 207 (identification of SMK and SYK and analysis of the calculation of their implementation);</p> <ul style="list-style-type: none"> - assessment of the continuity of the economic entity's activity; - to verify the accuracy and truthfulness of the data on the transactions carried out in the business entities in the financial statements or the reliability of the indicators. 	
V	FINAL STAGE	
	<ul style="list-style-type: none"> - analysis of the adequacy of the collected evidence; - study whether the collected evidence is confirmed on the basis of documents of form and content in accordance with the established procedure; - receiving necessary explanations on the identified situation from materially responsible persons regarding identified deficiencies; - comparing the collected evidence with the client's related party or third party information; - assessment of the impact of internal and external factors affecting the financial and economic activity of the economic entity ; - study of the factors related to the organizational and structural description of the activity of the economic entity; - to study and assess whether the indicators in the client's financial and statistical reports correspond to the information of the primary documents, are correct and are presented to users in a timely manner; - study whether the windfall is not shown as income in the client's financial statements; - study whether the contents of the information describing unexpected circumstances in the client's activity, their impact on the future results, the evaluation of the financial impact or the impossibility of conducting such an evaluation are revealed in the letter of explanations and comments to the client's financial report; - to study whether the consequences of unexpected situations and their impact on the client's financial results have been objectively evaluated by the economic entity; - study the existence of extraordinary losses in the client's financial statements and whether they are fully disclosed as a liability in the financial statements; - drawing up an interim audit report based on the collected evidence; - on the basis of interim audit reports, preparation and formalization of the general audit report for each object of inspection; - analysis of the causes of deficiencies in formalized audit reports; - expressing in money the deficiencies reflected in the audit reports and evaluating their impact on the client's financial results; - development of relevant practical recommendations regarding the reasons for the 	<p>Based on the results of the audit, general audit references are drawn up, and an audit report and conclusion are drawn up based on them.</p>

appearance of deficiencies identified in the inspection and their correction and prevention of future occurrences;

- preparing a written report on the results of the auditor's audit and presenting it to the client's management;
- formation and approval of the components of the auditor's report in the form and content specified in the international audit standards;
- before submitting the audit report, receive an official presentation letter from the client's management in accordance with the international audit standard No. 580 "Written Presentations";
- preparation and formalization of the form of the auditor's conclusion in the form and content specified in the international standards of the audit;
- providing copies of the prepared audit report and conclusion to the client's management.

The above-mentioned documents and tasks are considered the most basic procedures for conducting an audit, they have a recommendation content, that is, during the audits, auditors can approach separately based on their knowledge and skills.

It is worth noting that today in the audit practice of Uzbekistan, audit organizations in most cases do not pay attention to the aspect of formalizing the general plan and program of the audit, which is formalized in the above-mentioned planning stage. In our opinion, audit organizations should comply with the requirements of the standard No. 300 "Audit Planning" and other international standards during the audits, conduct audits in accordance with the requirements of the above-mentioned regulatory documents, especially the use of not only IT technology tools in the audits, but also advanced automated audit programs, financial analysis programs, introduction of electronic digital signature service and appointment of a separate auditor confirming the quality of the provided audit services.

CONCLUSION

The following conclusions were formed as a result of the scientific research conducted in order to improve the planning and conduct of the audit :

The article analyzed the current state of the republic's audit services market and researched the prospects for the development of the audit services market.

In order to perform each task related to the stages of the audit, based on their characteristics, first of all, it is necessary to perform audit actions and summarize the results of the audit, as well as develop a scientific, methodological and normatively based methodology of assessment. In the research work, the scientific, methodological and normative basis of the implementation of the tasks performed at the stages of the audit was analyzed.

The existing methodological and normative legal problems of planning and conducting audits in the audit practice of Uzbekistan, in particular, the problematic aspects of the process of documenting and evaluating the results of audits, are studied, preliminary planning, the general plan of audits and proposals were made regarding the development of improved sample forms of the audit program and their practical application.

As a result of the research, it was found that the current regulatory legal documents on the

organization and conduct of audit activities and the general approach to the organization and conduct of the audit in scientific research, the steps of the implementation of the audit audit or the audit actions performed during the audit are not clearly and fully explained. In order to clarify the above issues, it was recommended that the audit should be carried out in three stages.

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