



FEATURES OF ORGANIZATION OF AUDITING IN UZBEKISTAN BASED ON INTERNATIONAL STANDARDS

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Abstract. This article discusses the prospects for the implementation of international standards on auditing in the practice of Uzbekistan, describes in detail the best practices of the implementation of international standards on auditing in developed countries and their application in the practice of Uzbekistan. The article also discusses the problems of introducing international auditing standards in Uzbekistan and proposals for overcoming these problems, provides a comparative analysis of the approaches of Uzbekistan and a comparative analysis of the application of international auditing standards in the CIS countries on the basis of practical examples .

Key words. Commonwealth of Independent States, international standards on auditing, internal standards of auditing firms, audit market, audit, financial statement audit, professional services of auditing firms, professional associations of government audit and audit evidence.

INTRODUCTION

Today, in order to ensure the quality and international recognition of audits in the world's modern auditing practice, 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, taking into account their national characteristics, audits are conducted partially based on the requirements of international standards. 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 are being conducted in foreign countries aimed at organizing the planning and conducting of audits based on international standards in the context of the globalization of the economy. As a result of the research carried out in the international auditing practice, the procedures for organizing the audit, determining the levels of audit risk and importance, and ways of reducing the risk were developed, a single methodological procedure



was achieved for evaluating the sufficiency of evidence in forming a reliable auditor's opinion and presenting the results of the audit, international auditing standards (further issues of forming an audit report and conclusion that meet the requirements of AXS) are scientifically based. As a result of these studies, the generally accepted principles of the United States (GAAP), international standards of financial reporting and AXS 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 fact that 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 requires conducting in-depth scientific research in this regard.

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 the financial reports of local enterprises..."[1]. As a result of the ongoing reforms, as a solution to this problem, important tasks such as "introduction of international standards in financial reporting and auditing in large state enterprises" [2] were defined. On the other hand, in order to ensure the performance of the above tasks, 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 detail, in particular, planning and conducting audits requires deep scientific research on improvement.

LITERATURE REVIEW

Many foreign and local economists have conducted scientific research on creating and improving the theoretical and methodological foundations of applying international audit standards to the practice of Uzbekistan.

Changing the audit in accordance with international requirements is becoming an increasingly urgent task for Uzbekistan. In accelerating market relations, the deeper penetration of our republic into the world market requires the development of economic reforms, adaptation of auditing activities to international standards for the wider implementation of economic relations.

For example, according to Uzbek economist A.Z. Avloqulov, "the main goal of moving to international standards is to enter the international market and attract investments. Also, international standards make an important contribution to the qualitative development of the country's economy. In this process, a favorable investment environment, openness of business entities, accountability of management to shareholders, introduction of modern methods of corporate management make an important contribution to the development of joint-stock companies" [3].

According to Uzbek economists Sh. Fayziev, F. Islamov and A. Avloqulov, "compliance



with audit standards ensures the level of audit quality and the reliability of audit results." Auditing standards serve as the basis for auditors' honest work in court. If the auditor deviated from the standard, he should indicate the reason for it" [4] .

Another economist I.I. Meliev " researched the problems of applying international audit standards in the practice of Uzbekistan" [5] . In particular , I. Meliev stated that "today, there is a problem of lack of professional personnel in the field of international audit standards in Uzbekistan. If it is determined that the implementation of the standards will be controlled by state bodies, the problem of increasing the costs of state financing will arise. In addition, since state control officials do not know all the subtleties of the audit, there is a risk of "leakage" of information. If the supervision of the implementation of standards in practice is entrusted to public organizations, the issue of objective assessment of standards compliance by public organizations will arise." [6] .

ANALYSIS AND RESULTS

It is known that the International Federation of Accountants is engaged in the development, implementation and promotion of international auditing standards (hereinafter IAS). Currently, it includes 175 professional accounting public organizations in 130 countries of the world. Auditing standards represent the general basic principles that all auditors should follow in the course of their professional activities.

Currently, the auditing standards system includes international and national standards. The International Federation of Accountants is an international non-profit organization that develops and implements international auditing standards and was established on October 7, 1977 to coordinate the activities of professional organizations in the field of valuation, financial reporting and auditing at the world level. Currently, international audit standards consist of 48 standards, including 41 ISRE on audits, 1 ISRE on quality control, 2 ISRE-IS on Review Engagements, 2 ISRE on other audit engagements (ISAE- IS on Assurance Engagements) and 2 AXS on audit related services (ISRS-IS on Related Services). In addition to the AXS, the system of international documents regulating auditing also includes 8 Regulations, which are devoted to specific issues of international audit practice and clarify the application of AXS in certain areas. International auditing standards are rated in numerical codes from 100 to 1000, and statutes from 1000 to 1100.

The status of international auditing standards is determined by the content of the tasks performed in their application and the procedure for their application. Deviations from the rules of international auditing standards must be proven by the auditor on the basis of evidence. Any limitation on the application of a separate standard other than ISAs should be explained by the auditor. Auditing standards first appeared in the United States and Great Britain, and later other economically developed countries began to create their own national standards. Different theoretical concepts underlie approaches to using AXS. All of them consist of basic rules that define the audit methodology, known as postulates. We consider it appropriate to compare the

postulates of local and western approaches to auditing. Postulates represent scientifically based rules governing the most important aspects of auditing standards.

It is known that 48 international audit standards (hereinafter referred to as IAS) have been developed in the auditing practice, and despite the important tasks of harmonizing auditing activities in Uzbekistan with international standards, there are a number of problems related to the introduction of IAS into the auditing practice of Uzbekistan. In our opinion, today, we believe that the existing problems regarding " Implementation of international auditing standards in local practice with the international federation of accountants in order to ensure timely recognition of international auditing standards for use in the territory of the Republic of Uzbekistan..." [1], we believe that it is possible to solve the following directions (Table 1).

Table 1

**International auditing standards in the practice of Uzbekistan
application issues¹**

Problems of implementation of AXS in the practice of Uzbekistan	Suggestions for solving existing problems
<p>1. Lack of accurate, perfect and practically based official translations of AXS in Uzbek and Russian languages.</p> <p>2. Lack of clear and strict requirements or procedures for the implementation of AXS in practice in the current legal documents.</p> <p>3. 18.4 percent (18/98) of auditing organizations operating in Uzbekistan are considered members of international auditing networks, and the remaining 81.6 percent (80/98) auditing organizations are unable to fully conduct audit inspections based on the requirements of AXS. This means that there are internal organizational problems in the application of AXS in the rest of the audit organizations.</p>	<p>1. To study the advanced foreign experience in the implementation of FSAs and to promote the provisions of FSAs, and to further expand comprehensive cooperation with international organizations on the development of accounting and auditing.</p> <p>2. Wide involvement of experts with international accountant certificates in auditing organizations and development of internal standards of auditing organizations on the practical application of AXS.</p> <p>3. It is necessary to establish a special non-governmental organization consisting of qualified translators and specialists in auditing, accounting, financial analysis, management and other related fields, which is constantly engaged in the study of ICSs and their application in the practice of Uzbekistan, and to legally strengthen its activities. He prepares the official texts of the AXS in Uzbek and Russian languages; monitor the changes in the English language text and include them in time in the officially adapted text in the republic; should</p>

¹Prepared by the author

4. Limited financial opportunities for the implementation of AXS in auditing organizations or lack of planning of expenses for this purpose.

5. Inadequate level of knowledge, qualifications and skills of auditing organizations and auditors operating in our republic on the application of AXS in practice.

6. The lack of the level of participation of public organizations in the study and implementation of social security measures in the practice of Uzbekistan.

7. Inadequate description of sources, ideas and requirements for the practical application of AXS in the conducted scientific research works, existing educational literature and textbooks.

8. Spending a lot of time and money on audits due to the lack of experience in applying AXS in auditing organizations.

9. Lack of specialists or experts who have experience in the practical application of AHS, providing practical explanations or instructions.

maintain a glossary of AXS terms in Uzbek and Russian languages.

4. Increasing the official publications of AHSS in Uzbek or their comments and explanations and putting them into practice.

5. Development of a perfect system of training or retraining of accountants of auditors and client-enterprises on the issues of practical application of AXS and BXXS.

6. Making additions and changes to the current regulatory documents on the implementation of AHSS, conducting in-depth research, and implementing comprehensive measures to create a new generation of textbooks and training manuals.

7. Development of effective institutional environment and mechanisms for the introduction of social security systems into the practice of Uzbekistan and further improvement of the legal basis of their activity.

8. Implementation of measures to rapidly attract financial projects and qualified specialists of international organizations for the development of accounting and auditing and organizations interested in organizing audits based on AXS to the practice of Uzbekistan.

9. To strengthen the quality control regarding compliance with the requirements of AXS by auditing organizations.

As a result of research, today our Republic is connected to branches of the world's leading international auditing companies, such as "Ernst & Young", " Pricewaterhouse Coopers ", "Deloitte & Touche", "Ernst & Young" and "KPMG AUDIT" and 25 international auditing networks. it was found that only auditing organizations operate based on the requirements of international standards. Also, the fact that the rest of the audit organizations of our Republic are still relying on old or classical approaches and using "old-fashioned" ineffective methods and software tools in the audits shows the need for fundamental reforms in the audit system of the Republic and the introduction of new innovative mechanisms .

Table 2

Comparative analysis of the approaches of Uzbekistan and developed European countries to audit²

No	Criterion content	Developed Europe audit in the states	Audit in Uzbekistan
1	audit occurrence and procedure of occurrence	Historically, it was formed many years ago , "from below", that is, it arose from the objective needs of economic entities.	Historically, this activity was formed by the initiative of the state that appeared in recent years
2	Purpose of audit	is on assessing the reliability of financial statement information	Assessment of the legality of the performed economic transactions and the reliability of financial reporting indicators
3	With whom direct communication is carried out during the inspection process	With the heads of the economic entity	the heads of the economic entity and the chief accountant
4	Tasks of the audit	Understanding the client's business is considered the only way to solve the tasks - to understand the reports	The reliability and timeliness and completeness of the financial statements are examined
6	Primary users of audit data	Owners, investors and creditors	Mainly tax inspectorates , commercial banks and investors
7	Matters to be focused on during the audit	Checking the items of financial reporting forms, that is, the reasons for the balance at the end of the reporting period are studied	Investigating business transactions, investigating the reasons for the movement of property and funds
8	The study of defeat and accounting policy	The main focus is on the analysis of the creation and failure of the accounting policy and its compliance	Succession and accounting policies are considered in connection with primary documents and forms of registers
9	Study the content of report items	Business entity activity lines and entity ownership form are considered interdependently.	Depending on the asset's write-off capability, i.e. the easier it is to write off, the more important the asset is

²Prepared by the author

			considered to be.
10	materiality and audit risk and the use of these indicators	The auditor is automatically trained to analyze report items in correlation with all report items	Each item of the report is examined in relation to its correlation, often unimportant items may be left unexamined.
11	Use of the auditor's interpretation	It is considered preferable to other methods as a more economical and accurate method in the inspection process	Not enough attention is paid to auditor selection
12	internal control system information	It is used when the effectiveness of the internal control system is assessed as high	is considered optional
13	Conducting an inventory during the audit	Mandatory	Mandatory
14	Application of auditing standards	It is accepted as a mandatory condition of the audit	It is considered mandatory to carry out only mandatory audits and is used as a recommendation in audits in the form of initiatives and at the initiative of supervisory or law enforcement bodies.

In the current world auditing practice, there are three different forms of using AXS, in which the first form of practice is carried out using only international auditing standards. In the second form, national audit standards are created in accordance with international standards and national standards are used in practice. Finally, the third mixed form envisages the use of national and international standards in harmony (mixed) in audit practice.

We compare the approaches of Uzbekistan and developed European countries to conducting audits , the comparative analysis of the approaches of Uzbekistan and developed European countries is carried out in Table 2 above , which shows that the practice of Uzbekistan and the practice of European countries have many different characteristics. In particular, it was found that the practice of Uzbekistan has different aspects, such as the order of occurrence of the audit, with whom direct communication is carried out during the inspection process, determining the level of importance and audit risk and the use of these indicators, the use of audit selection, the use of internal control system data, and the use of audit standards.

In our opinion, the interdependence between international financial reporting standards and international auditing standards is manifested in the following directions:

- Uniformity of terms used in international standards of financial reporting (hereinafter referred to as MFRS) and AXS;
- to be used by auditors as a criterion for assessing the financial statements audited by the



IRS.

One of the advantages of the International Federation of Accountants is that the same terms are used in the IAS and IAS. Due to this, common views on goals and objects are ensured between auditors and representatives of persons who prepare financial statements.

It is envisaged that the audit will be carried out in the following three main stages in accordance with the current AXS:

1. Audit planning stage;
2. Stage of collecting audit evidence;
3. The stage of officialization of inspection results.

In particular, in accordance with the current AXS No. 300 entitled "Planning of the Audit of Financial Statements", the auditor should familiarize himself with the client before the planning stage. In this process, the process of collecting preliminary information about the client is carried out on the basis of working tables , and the following information is entered into them:

- regional and network characteristics of the client's activity;
 - the client's financial situation;
 - organizational and technological features of the client's activity;
 - information about the qualification level of employees responsible for financial reporting
- ;
- client accounting processes;
 - the level of the client 's activity in the securities market ;
 - state of organization of the internal control system ;
 - information about the client's financial obligations;
 - materials of court cases involving the client.

This information is necessary to determine the scope of audit work , possible risks and, accordingly, the value of the audit. After that, the auditor will write a letter on the conclusion of the contract on the audit in accordance with the AXS No. 210 entitled " Coordination of the Terms of Audit Assignments "will send In the final account, the auditor and the management of the audited company must reach certain agreements regarding the conditions of the audit. The agreed conditions are reflected in the contract on conducting the audit.

International auditing standards can be used as national standards only by countries that are members of the International Federation of Accountants. International auditing standards are published in English. The International Federation of Accountants provides official translation of auditing standards into other languages independently or through other organizations. International auditing standards and their official translations into other languages, including Uzbek, are the intellectual property of the International Federation of Accountants. In this regard, we believe that

National standards are developed on the basis of AXS. Some countries have decided to use AXS as national standards instead of developing their own standards . Highly developed

countries in the field of auditing - Canada, Great Britain, Ireland, USA - accept international auditing standards only for reference. In turn, countries such as Australia, Brazil, India and the Netherlands develop their national auditing standards based on them. Other countries such as Malaysia, Nigeria and Fiji use AXS as national standards. Uzbekistan has independently developed national standards of audit activity, and most of the standards of Uzbekistan are characterized by a large number of similarities with international standards.

Table 3

Problems of applying AXS in the CIS countries³

The main problems of implementing AXS	Relevance (importance) of the problem		
	Low	average	High
Training and retraining of audit personnel	Republic of Kazakhstan	Azerbaijan , Republic of Belarus , Tajikistan , Russian Federation , Uzbekistan	Moldova
Limited financial resources	Tadjikistan	Azerbaijan , Republic of Belarus , Uzbekistan	Armenia, Kyrgyzstan, Moldova
Audit quality control in accordance with the requirements of the International Federation of Accountants		Azerbaijan , Armenia , Republic of Belarus , Kyrgyzstan , Uzbekistan	Moldova , Russia
Lack of timely official translation of AXS into Russian			Republic of Belarus, Kazakhstan, Kyrgyzstan, Russia, Uzbekistan
Non-conformity of some provisions of AXS with national normative legal acts	Tadjikistan Uzbekistan	Republic of Belarus	

If we look at the US example of the use of international auditing standards, in this country, private companies can use auditing in accordance with AXS, if necessary. However, the U.S. has its own auditing standards, including Generally Accepted Auditing Standards (GAAS) set by the American Institute of Certified Public Accountants for use in the audit of private companies and standards for use in the audit of public corporations adopted by the Public Company Accounting Oversight Board (PCAOB).

³Prepared by the author based on the information of the Ministry of Finance

In the last decade, one of the main elements of the audit services market in the world has been the practice of applying AXS in audit practice. In particular, in recent years, the audit services market has become an integral part of the economy of the member states of the Commonwealth of Independent States (hereinafter, the CIS). The audit services market, like any segment of the economy, is characterized by a system of indicators.

From the data in Table 3 above, it can be seen that the CIS member states encountered a number of common problems in the process of introducing and applying the AXS in auditing practice. In particular, there are institutional, organizational-legal, financial, personnel training and other methodological problems. In turn, the solution of these problems literally enables mutual cooperation in the application of AXS. The main problem in the implementation of the requirements of the CIS in the CIS member states is the issue of organizing audits based on the requirements of the CIS. Qualified audit institutes organize and implement such control .

CONCLUSION

In our opinion, the following should be implemented in order to organize and conduct auditing activities in Uzbekistan on the basis of international auditing standards:

- To improve the legislation on audit activity in Uzbekistan , including the formation of an effective system of external control of the quality of the work of audit organizations, based on international standards, aimed at increasing the quality of audit services and supporting the confidence of the business community in the results of the work of audit organizations ;

- development of the software that ensures the audit of the national auditing practice based on the international standards of auditing and its implementation ;

- increasing the level of involvement of audit organizations in international audit networks, including organizing active methodological support of audit organizations and auditors in the application of international auditing standards ;

- publication of the perfect official translation of the international standards of auditing in the national language;

- creation of a web portal compatible with the application of international standards of auditing in the market of auditors of Uzbekistan;

- higher educational institutions training personnel in the field of "accounting and auditing" and public associations of the republic to cooperate with international organizations that set international audit standards and to further improve the popularization of the world's advanced experience in the field of applying these audit standards;

- modern textbooks, electronic textbooks andpreparation and printing of training manuals.

the organization of audit activities based on international standards and the formation of audit reports based on them, the transparency of information on the activities of enterprises is ensured. Transparency and objectivity of information will help investors and banks to solve the issue of investing in the development of enterprises . At the national level, it makes a great contribution to the direct attraction of foreign investments, as a result of which production



expansion , modernization, creation of new jobs, increase of tax revenue for the state budget and ensuring the stability of economic growth.

As a result of the research, the content of FSAs, directions for solving existing problems regarding their application in the practice of Uzbekistan, and the features of auditing based on FSAs were analyzed based on practical examples. In particular, in the research work, the experience of the CIS and developed countries in the implementation of FSAs is studied, in the research work, the current situation of the audit services market in the CIS member states is analyzed, their comparative analysis with the experience of Uzbekistan and the interrelated aspects of the implementation of standards, including the application of international audit standards in these countries issues were studied.

in the CIS member states, it is worth noting general problems such as the absence or insufficient development of the institutional environment. But for most of the CIS member states, the lack of translation of the CISG and the existence of financial problems of the implementation of the CISG or the limited financial resources of the CIS member states have aggravated this problem. In these countries, the problems related to the personnel of the application of AXS are the insufficient level of knowledge and skills in the field of AXS among auditors, and we believe that it is appropriate to highlight such problems as the lack of quantitative and qualitative methodological materials in local languages in the transition to the application of AXS.

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