



DIRECTIONS FOR IMPROVING THE QUALITY OF AUDIT WORK BASED ON INTERNATIONAL STANDARDS

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Abstract

This article describes the methodological issues of organizing audit activity. As a result of the conducted research, recommendations on improving the audit quality were developed based on the requirements of international standards.

Keywords: Audit, audit activity, international standards on auditing, audit quality, independence, integrity, objectivity.

Introduction

One of the main requirements for financial statements of economic entities is its reliability. The reliability of the financial statement must be confirmed by an independent party, that is, auditing organizations. This requirement is mandatory for all entities that must undergo mandatory audits. Therefore, it is necessary for audit organizations to pay close attention to methodological aspects in ensuring the audit quality.

LITERATURE REVIEW

Economists have conducted research on the development of audit and the improvement of the audit quality.

In particular, Indian economists said that “auditing is a process of independent examination and verification of financial statements, transactions, and statements to ensure their accuracy, fairness, and mandate with applicable laws and rules. Auditors, who are typically external to the organization, assess the internal control systems, review financial statements, and express an opinion on their reliability. The main objective of auditing is to enhance the pedigree and



trustworthiness of financial Information, thereby providing assurance to stakeholders” [1].

D. J. Skinner and S. Srinivasan said that “the quality of financial reporting is also affected by the audit quality. High-quality external auditing is a central component of well-functioning capital markets” [2].

According to Hiroshi Uemura “financial reporting and disclosure are important institutional features that facilitate the flow of information. Also, a legal institution affects firms’ financial reporting incentives and the quality of financial information reported to investors” [3].

Iranian economists have conducted research on the audit quality, they concluded as follows, “audit quality is the auditor’s work results shown with a reliable audit report based on the determined standards” [4].

However, the issues of improving the audit quality work based on the requirements of international standards have not been fully explained by economists.

ANALYSIS AND RESULTS

In order to effectively use financial resources in the audit of business entities, it is necessary to determine reserves, analyze the correctness of tax calculations, develop measures to improve the financial situation, and develop proposals for optimizing income and expenses.

Certain principles must be followed when carrying out any activity. Auditors must adhere to the following principles during their activities: independence, honesty, objectivity, professional competence and confidentiality.

Independence means that the auditor has no financial, property, personal or other interests in the affairs of the audited business entity in forming his opinion. The auditor's independence is determined by:

free choice of the audit organization by the economic entity

contractual relations between the audit organization and the economic entity are regulated on the basis of legislation

the possibility of refusing to issue an audit opinion to the client until the identified deficiencies are eliminated

the impossibility of conducting an audit in the presence of personal or material relations with an economic entity



that auditors and audit organizations are prohibited from engaging in activities not permitted by law

Integrity is the auditor's loyalty to his profession, which means avoiding corruption and fraud during his work.

Objectivity represents the formation of an opinion based on professional observation without deviating from the requirements of regulatory legal documents during the activity of the auditor. According to this principle, the auditor should not make an audit opinion based on the interests of any entity.

Professional competence requires auditors to regularly improve their knowledge, skills and abilities.

The principle of confidentiality means that the auditor should not disclose the information of the audited business entity without its consent. It is the auditor's duty not to disclose information that is a commercial secret of the client company. However, according to the law, the auditor may provide the client's company information to these authorities upon the requirements of the law enforcement agencies. Compliance with the principle of confidentiality is continuous, after the completion of the audit, the information of the client company should not be disclosed to others.

The auditing organization must perform its activities in accordance with the Law "On Auditing Activity" and international auditing standards.

External audit can be conducted by the audit organization on initiative or mandatory. There are similarities between external audit and internal audit. However, these types of audits differ from each other in terms of purpose, methodology and reporting requirements.

The availability of reliable information makes it possible to increase the investment attractiveness and efficiency of the capital market, as well as to evaluate and predict the effectiveness of various management decisions.

Under the conditions of the market economy, economic entities enter into contractual relations for the use of property, operational, financial and investment activities. Trust in these relationships must be supported by the ability of all stakeholders to obtain and use data. The reliability of this information is confirmed by an independent auditor.

When the management of business entities raise additional funds through the issuance of shares, they cannot provide control over certain aspects of the

business, especially the reliability of financial statements and the increase of capital. As external sources increase in the process of capital formation, the need for reliable financial information also increases. In addition, shareholders and creditors, as a rule, have the right to receive more payments than before in the event of bankruptcy of the enterprise. In order to reduce the risk, shareholders and creditors should require the management of the company to provide regular financial information. This information needs to be confirmed by the auditor so that it is reliable for making management decisions. If the owners, without directly managing the enterprise, can be sure of the honesty and accuracy of the management and the absence of fraud in the financial statements that are periodically prepared and presented to them, there is no need to conduct an audit. Reliable information is needed not only by investors or shareholders, but also by creditors to assess the reliability of loan repayment and interest payments. Suppliers of goods are interested in information about the ability to pay creditors on time, employees are interested in the evaluation of labor guarantees, the stability of labor payments and the profitability of operations. The state is interested in timely payment of taxes.

Audit activity as an element of the market infrastructure has the following advantages:

Advantages of audit activity as an element of market infrastructure	financial statements approved by a positive audit opinion are used by interested parties, in particular, the entity's management, founders, investors, customers, and government organizations in making decisions.
	financial statements may be subject to distortions due to a number of factors, including the use of estimates and unusual events. In addition, the reliability of financial statements may decrease due to the subjectivity of accountants
	due to the difficulty of using accounting and other information, as well as the complexity of transactions reflected in the accounting of economic entities, it is not possible for most interested users to independently assess the level of reliability of financial statements.

Figure 1. Advantages of audit activity as an element of market infrastructure



An audit is conducted to provide reasonable assurance that the financial statements of economic entities are free of material misstatements. In auditing, the concept of reasonable assurance is necessary for the auditor to conclude that the financial statements are free from material misstatement. This will require gathering sufficient and appropriate audit evidence. The concept of reasonable assurance applies throughout the audit process.

The formation of his opinion by the auditor should be based on his professional judgment in the following areas:

gathering audit evidence, including determining the nature, duration and scope of audit actions;

preparing conclusions based on audit evidence, for example, in determining the reasonableness of the estimated values determined by the management of the audited entity during the preparation of financial statements.

During the audit, the reliability of the information in the balance sheet, financial results report, cash flow report and notes attached to the financial report is determined.

CONCLUSION

1. It is necessary to observe certain principles in the organization and implementation of audit activite. Observance of the principles of independence, honesty, impartiality, professional competence and confidentiality by auditors during their activite leads to an increase in the audit quality.
2. It is necessary to organize high-quality audits of entities subject to mandatory audits. Because the importance of a true audit opinion is high for the management of these entities, that is, joint stock companies, commercial banks and other entities, to make rational management decisions and to protect the interests of the owners.
3. It is important to organize audit activite based on international standards. Therefore, it is necessary to use the requirements of international standards when organizing audits. These aspects should be taken into account when planning audits, collecting evidence, forming the scope of audit selection, using expert and internal audit services, and drawing up audit conclusions.



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