

Improving the report of the auditor of financial statements in the republic of Uzbekistan

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Abstract: in order to attract foreign capital, it is necessary to prepare financial statements based on international financial reporting standards and confirm them based on international auditing standards. Therefore, one of the factors of the need for audit activity arises from the leading multinational audit companies. This is due to the high level of competitiveness and globalization of the audit business, which requires the audit of financial statements based on international standards and standards of audit. This article examines the need to apply international standards, improve the regulatory system for regulating audit activities.. Mathematical models for evaluating the audit of financial statements were used for the analysis. We have obtained the result that the current audit of financial statements in Uzbekistan will be a financially and economically profitable and effective mechanism for attracting foreign partners. In this regard, the need to improve the report of the auditor of financial statements of joint-stock companies is disclosed.

Article the process of reforming the system of the auditor's report of financial statements in the Republic of Uzbekistan, the transition of domestic accounting practices to international financial reporting standards has a significant impact on the development of standards of auditing.

Keywords: Audit, purpose of audit of financial statements, international standards on auditing, users of financial information, audit evidence, external audit, internal audit, audit opinion.

I. Introduction

For the audit of financial statements of international practice, the ISA is used. The organization of external audit and the composition of the auditor's report, the preparation and improvement of the audit methodology are being studied in developed research centers and universities, including the International Auditing and Assurance Standards Board(IAASB), generally accepted auditing standards (GAAS), the American Institute of chartered public accountants(AICPA), the international Federation of accountants of America, ("Big four" international audit company - KPMG, Deloitte & Touche, PricewaterhouseCoopers, Ernst & Young), Institute of practical accountants in England and Wales (ACIPA),the Council on international standard finansovoi reporting

(International Financial Reporting Standards of Board -IFRSB), Michigan State University, The center for economic and business research University of Wisconsin, University of California, Stanford University, DePaul University (USA), the Institute of Chartered Accountants and auditors, the Australian National University (Australia), Institute for Fiscal Studies, University of Exeter (Buyuk britaniya), University of Calgary (Canada), University of Maastricht (Netherlands), University of Erlangen-Nurnberg (Germany), University of Tokyo, Kyoto University (Japan), Lomonosov Moscow state University, Plekhanov Russian University of Economics (Russia), Banking and Finance Academy, Toshkent state University and others.

Given the above arguments and conclusions of the economists, and the auditing of joint stock companies are not always organized audit based on international standards and a joint stock company feel acute shortage of trained personnel knowing IFRS and ISA, concluded that if to improve the organization of accounting and financial statements based on IFRS. In addition, national auditing standards are being developed based on these standards. The need to carry out audit activities in the Republic of Uzbekistan in accordance with international standards is recognized by professional companies in the field of accounting and audit. In addition, such a need arises from foreign investors who invest their capital in the economy of Uzbekistan. In these conditions, there is a need to develop the audit activities of economic entities. Regulation of audit activities in Uzbekistan is carried out in the following areas: development of the legal and methodological framework for audit activities; training, certification, certification and monitoring of professional development of auditors; licensing of audit activities and monitoring their implementation; determining the place and status of non-governmental public organizations in the system of state regulation.

II. MATERIALS AND METHODS

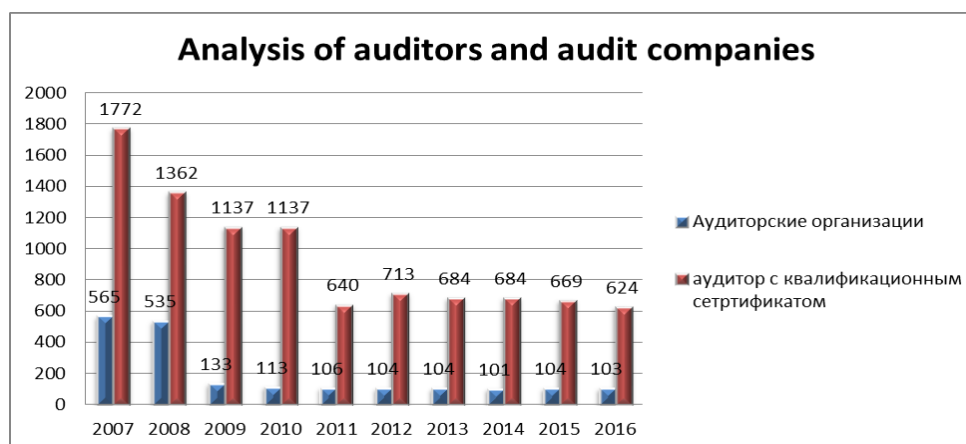
In our study, we analyzed the data from the audit of financial statements and accounting based on IFRS based on assumptions, using abstraction techniques, but I think that the results obtained would be different or more accurate if we considered data from real audits of financial statements or start-UPS operating in other analogous countries of Uzbekistan, such as Kazakhstan, Kyrgyzstan, Azerbaijan, etc. I suggest that future researchers in this field take this statement into account in their research.

With the adoption of the law of the Republic of Uzbekistan "on audit activities" (December 9, 1992), the number of audit firms has increased dramatically. To implement the provisions of the law, national standards of auditing (NSAD) were developed, and auditing as a special type of business began to be licensed.

Practice has shown that there were significant gaps in the first version Of the law "on audit activities" and a new version was adopted on may 26, 2000. The main purpose of drafting the new version of the Law was to eliminate the backlog of the national audit system from the General processes of deepening reforms and liberalizing the economy in the country. The new version of the Law eliminates many omissions that do not meet international standards. To implement the new version of the Law, a special Resolution of the Cabinet of Ministers of the Republic of Uzbekistan No. 365 "on further improvement of audit activities and increasing the role of audits" was adopted (September 22, 2002). The adoption of a new version of the above-mentioned Law and Resolution allowed us to raise the audit activity to a new qualitative level.

The new version of the Law is characterized by the following fundamental differences. First, the concepts of "audit activity" and "auditor" are more clearly defined. According to the second article of the Law, "audit activity is the business activity of audit organizations related to conducting audits and providing professional

services." This activity is carried out only by audit organizations that have an independent legal status. It should be noted that this ensures the independence of the audit activity. An auditor, according to the third article of the Law, is an individual who has a qualification certificate. Secondly, the status of new concepts such as "assistant auditor", "audit organization" and others has been introduced and clearly defined; the rights, duties and responsibilities of audit organizations have been clarified and set out in more detail (Figure 1).



1- Figure. Analysis of auditors and audit companies in the Republic of Uzbekistan.

In this figure, you can see that the number of audit companies and auditors decreased sharply in 2010. When it was necessary to accept the new audit requirements. This specifies the requirements for the number of auditors and the authorized capital of audit companies. In particular, to organize audit companies, you must meet the following requirements, which are the requirements for the auditor and the authorized capital of audit companies. According to these requirements, the license of audit companies now comes in 3 types.

Table 1
Requirements for audit companies in the Republic of Uzbekistan

№	Groups of audit companies	Authorized capital	Number of certified auditors
1.	Initiative audit	At least 1500 minimum wage	2 full-time auditors
2.	Initiative and mandatory audit (except for joint-stock companies, insurance companies and banks)	At least 3000 minimum wage	4 full time auditors including 1 auditor with a CAP or CIPA certificate
3.	Audit of all business entities	At least 5000 minimum wage	6 full time auditors 2 of them are certified by the CAA or CIPA

Thus, audit companies of group 1 can conduct an audit in accordance with article 11, where the initiative audit is conducted. 2 the group of audit companies conducts audits, except for joint-stock companies, insurance companies and banks. Of these, only 3 groups conduct audits of all business entities.

In particular, audit organizations are given the right to independently determine the forms and methods of conducting an audit. This means that audit organizations must develop internal working standards for auditing, approve and apply them in the course of conducting audits. Third, the types of audit activities are more clearly defined and specified. For example, a separate article sets out the concept of "audit" (article 9), which is carried out in two forms: mandatory audit (article 10) and audit on the initiative of the customer (article 11). In addition, the procedure for conducting audits at the initiative of regulatory and law enforcement agencies has been clarified, in which the relevant state authorities are the customers. There is also a list of professional services that are not combined with audits and do not require a special permit (license).

One of the subjects that is subject to mandatory audit are joint-stock companies (JSC). However, their number has been decreasing in recent years, but their authorized capital has been increasing due to new requirements. If you analyze them in the last 5 years, you can see the picture as follows. According to table 2, their authorized capital increases from year to year.

Table 2
Comparative analysis of the number and authorized capital of joint stock companies in the Republic of Uzbekistan

№	Indicators	2011	2012	2013	2014	2015
1.	Number Of Joint-Stock Companies	1309	1276	1232	1090	715
2.	Total authorized capital of joint-Stock Companies (billion soums)	7514,4	9897,4	12350,4	12716,5	16553,7

The table shows that the number of joint-stock companies is decreasing, i.e. in the last year their number is 715, the average per JSC is 23.15 billion. In 2011, this figure was 5.74 billion soums. sum, i.e. increased 4 times.

The new version of the Law more clearly defines the issues of certification and licensing of audit activities, the rules for drawing up an audit report, conclusions and other circumstances related to them.

Thus, the legal system for regulating audit activities is currently under development. To attract foreign capital, it is necessary to prepare financial statements based on international financial reporting standards and confirm them based on international auditing standards. One of the needs for audit activity arises from the leading multinational audit companies. This is due to the high level of competitiveness and globalization of the audit business, which requires the audit of financial statements based on international standards and standards of audit. The process of reforming the accounting system in the Republic of Uzbekistan, the transition of domestic accounting practices to international financial reporting standards has a significant impact on the development of auditing standards. The development of generally recognized accounting requirements and principles leads to an increase in the degree of unity of reporting, as a result, it becomes possible to apply common approaches to audit. The study of world experience shows that the control exercised by professional audit associations over the quality of audit services provided by their members is quite effective due to the standardization of audit activities. National standards of audit activity in Uzbekistan are developed on the basis of international standards of audit.

It should be noted that the law "on audit activities" and subordinate regulatory documents were developed when the foundations of the market economy began to form in our country. At that time, it was impossible to

transform the experience of developed countries into our economic space. With the development of market relations and deepening of reforms, the legal framework for accounting and auditing activities is gradually being improved. The system of legal regulation of accounting and auditing activities is gradually being formed and improved.

The development of national accounting and audit standards has become significant in recent years. Some experience in this regard has already been accumulated and continues to accumulate, but in order to implement the plan, it is necessary to take a set of measures and attract the most qualified specialists, and this is accompanied by certain financial costs.

The development of national auditing standards (hereinafter – NSAD) in Uzbekistan began in 1999. The Ministry of Finance of the Republic is directly responsible for the development and implementation of the NSAD. Non-governmental professional public organizations are also actively involved in the development of the NSAD. These include the national Association of Accountants and Auditors (Nabia) and the Chamber of Auditors (PA) of Uzbekistan. In addition, leading research organizations on accounting, statistics, automation and information technology, as well as highly qualified specialists and University teachers on accounting, control and analysis of economic activities are involved in the discussion of NSAD projects. In other words, it is developed on a collegial basis, with the involvement of a large number of specialists. The availability of reliable information in financial statements makes it possible to improve the efficiency of the capital market and makes it possible to assess and predict the consequences of various economic decisions of external investors. Conducting an audit, even in cases where it is not mandatory, is undoubtedly important for reaching the international level.

The essence of audit and audit activity is defined as the International standard on audit ISA 200 "Purpose and General principles governing the audit of financial statements". This standard specifies that "the purpose of an audit of financial statements is to enable the auditor to Express an opinion on whether the financial statements have been prepared, in all material respects, in accordance with the established conceptual framework for financial reporting" .

According to the law of the Republic of Uzbekistan "on audit activity"(new version) from 26.05.200 No. 78-II defines the concept of audit activity: "Audit activity refers to the business activity of audit organizations providing audit services. Audit services include audits and professional services."

At the macroeconomic level, audit is an element of the market infrastructure, the need for which is determined by the following circumstances:

a) financial statements are used for decision-making by users interested in them, including management, participants and owners of property of an economic entity, real and potential investors, employees and customers, authorities and the public at large;

b) financial statements may be subject to misstatements due to a number of factors, in particular the application of estimates and the possibility of ambiguous interpretation of business facts; in addition, the reliability of financial statements is not automatically ensured due to the possible bias of its preparers;

c) the degree of reliability of financial statements, as a rule, cannot be independently assessed by the majority of interested users due to the difficulty of accessing accounting and other information, as well as the number and complexity of business transactions reflected in the financial statements of joint-stock companies.

An audit of the financial statements should provide sufficient and relevant audit evidence to enable the audit firm to draw conclusions with a reasonable degree of confidence regarding:

a) compliance of accounting of joint-stock companies with documents and requirements of normative acts regulating the procedure of accounting and financial reporting in the Republic of Uzbekistan;

b) compliance of the financial statements of joint-stock companies with the information available to the audit organization about the entity's activities.

An audit is designed to provide reasonable assurance about whether the financial statements as a whole are free from material misstatement. Reasonable assurance is a General approach to the process of obtaining audit evidence that is necessary and sufficient to enable the auditor to conclude that there are no material misstatements in the financial statements as a whole. The concept of reasonable assurance applies to the entire audit process.

Limitations inherent in the audit that affect the auditor's ability to detect material misstatements of the financial statements occur for the following reasons: selective methods and testing are used during the audit; any accounting and internal control systems are imperfect (for example, they cannot guarantee the absence of collusion);

the majority of audit evidence only provides arguments in support of a particular conclusion, and is not exhaustive.

Limits the reliability of the audit and the fact that the work performed by the auditor to form an opinion is based on his professional judgment, in particular with regard to: collecting audit evidence, including in determining the nature, timing and scope of audit procedures;

preparing conclusions based on audit evidence, for example, in determining the reasonableness of estimates made by the client's management in the course of preparing the financial statements.

In addition, there are other restrictions which can affect persuasiveness of the proofs used for a formulation of conclusions concerning certain preconditions of preparation of the financial statements. For such cases, certain auditing rules (standards) define special procedures that, due to the content of certain prerequisites, provide sufficient appropriate audit evidence in the absence of: unusual circumstances that increase the risk of material misstatement of the financial statements beyond what would normally be expected; an indication that there is any material misstatement of the financial statements.

The main purpose of the audit of financial statements is an objective assessment of the reliability, completeness and accuracy of reporting of assets, liabilities, equity and financial results of the company for a certain period, checking the compliance of the accounting policy adopted by the company with the current legislation and regulations.

Reliability of financial statements refers to the degree of accuracy of financial statements that allows a qualified user of financial statements to make correct conclusions about the financial position and performance of the client and make appropriate informed decisions.

The main purpose of the audit can be supplemented by identifying reserves for the best use of financial resources, analyzing the correctness of tax calculation, developing measures to improve the financial situation of the enterprise, optimizing costs and results of operations, income and expenses.

III. RESULTS AND DISCUSSION

Audit work on the verification of financial statements involves the study and analysis of the financial condition of the company (form 1), the statement of comprehensive income of the company (form 2), the statement of changes in equity (form 3), the statement of cash flows (form 4), an explanatory note (in terms of checking the company's compliance with the accounting policy).

During the audit, the correctness of the financial condition report, the statement of comprehensive income, and the accuracy of explanations to them are established. At the same time, they determine: whether all assets and liabilities are reflected in the report; whether all documents are used in the report; how much the actual method of property valuation deviates from the one adopted when determining the accounting policy of the enterprise.

The auditor checks the company's statement of comprehensive income to determine whether accounting and taxable profit are calculated correctly.

The auditor should check:

full implementation of decisions of the company's owners on changes in the amount of authorized capital;

identity of synthetic and analytical accounting data for asset and liability balance accounts;

the completeness of reporting accounts receivable and payable.

During the preparation of the audit report, the following is checked:

compliance with the accounting policy adopted by the company to reflect business operations and property valuation;

the correct classification of income and expenses during the reporting periods;

differentiation in accounting of current production costs and capital investments;

ensuring that analytical accounting data is identical to the turnover and balance of analytical accounting accounts on the first day of each month.

To achieve the main goal and provide an opinion, the auditor must solve a number of tasks to form an opinion.

Table 3

Organization of external audit based on international standards for the formation of an audit report

№	External audit methodology	Questions for creating an audit report
1.	Acceptability and compliance of financial statements with accounting data	does the financial statements as a whole comply with all the requirements of the legislation and other regulatory acts of the Republic of Uzbekistan, as well as international standards on auditing, and does not contain contradictory information
2.	The validity of individual articles of the statements based on audit evidence	whether there are grounds for including the amounts indicated in the financial statements for items, and whether sufficient audit evidence has been collected to Express an audit opinion
3.	Completeness of financial statements	included in the financial statements of all amounts due; whether appropriate corrective transaction, in particular whether all the assets and liabilities belong to the company, take into account whether the appropriate means of companies
4.	whether all appropriate amounts are included in the financial statements; whether Classification and attribution to the relevant accounts are	is there any reason to attribute the amount to the account to which it is recorded, whether the transactions of business transactions are correctly given

	given	
5.	<i>Evaluation and calculation of indicators</i>	are all items correctly estimated based on international financial reporting standards and accurately calculated calculations for the corresponding amounts and totals
6.	<i>Checking the correctness of calculations and totals</i>	whether the amount of individual transactions reported in books and journals with analytical accounting, whether they are summarized, whether the totals reported in the General Ledger
7.	<i>Whether income and expenses are attributed to the corresponding period</i>	are transactions made shortly before or immediately after the balance sheet date related to the period in which they were made
8.	<i>Disclosure</i>	are all items included in the financial statements and are they correctly reflected in the reports and their appendices

Based on this table, the auditor can use various ways to accumulate the necessary information to achieve these goals. "Auditors (audit firms) in the course of their activities also solve a number of tasks related to the provision of audit services: checking accounting and reporting, the legality of business transactions; assistance in organizing accounting; assistance in restoring and maintaining accounting, preparing accounting (financial) statements. In addition during the audit it is necessary that the auditor can check and help solve the following issues based on the agreement:

1. Assistance in tax planning and tax calculation;
2. Consulting on certain issues of accounting and reporting;
3. Expert assessments and analysis of business results;
4. Consulting on a wide range of financial and legal issues, marketing, management, technological and environmental consulting, etc.;
5. development of constituent documents, etc.;
6. Providing information about future partners; customer information service; other services."

When performing the audit, independent auditors perform these basic functions, which are accepted in international generally accepted accounting principles. The role of the evaluation function-the interpretation of facts supporting the conclusions of the financial report compiler, and the evaluation of conclusions-has grown significantly in the past two decades. This was partly a result of the administration's successful improvement of its internal control structures, which ensures that technically reliable information is obtained. Auditors often consider it more appropriate to check the internal control system in order to obtain evidence of the effectiveness of its organization and operation, rather than subject the information issued by this accounting system to verification. Another reason for the shift in focus in the audit is the quantitative growth of complex transactions, transactions of a new type and the need to evaluate the way they are reflected in the reports of the administration.

At the stage of preparing an opinion on the reliability of the entity's financial statements, the audit organization is required to summarize and evaluate the conclusions made on the basis of the data obtained. At the same time, it is necessary to proceed from the criteria for compliance with regulatory requirements when preparing financial statements by an economic entity and its compliance with the information about the activities of an economic entity that the audit organization has. The auditor's report must contain a clearly expressed opinion on the reliability of the financial statements of an economic entity. An unquestionably positive audit

report indicates that the audit organization considers the financial statements of an economic entity to be reliable in all material respects. When drawing up a conditional positive or negative audit report or issuing a refusal to Express an opinion on the reliability of the financial statements of an economic entity, it is necessary to specify the circumstances that caused a particular decision of the audit organization.

"The audit organization is required to achieve during the audit acceptable confidence in the reliability of its opinion on the reliability of the financial statements of an economic entity in all material respects."

During the audit, due to objective and subjective reasons, it is impossible to exclude the possibility that distortions in the financial statements of an economic entity may remain unnoticed.

If there are signs of possible misstatements of the accounting statements, the auditor should increase the scope of its procedures to dispel or confirm any doubts that may arise.

The auditor should check the reality of the company's restrictions on the ownership of assets, the degree of reliability of guarantees given in relation to obligations, the level of reliability of contingent assets and liabilities estimated quantitatively, and check the validity of the assumed amounts of obligations for upcoming capital expenditures.

When checking accounting and reporting data, they analyze the availability and status of:
property (fixed assets and investments, inventory and expenses, intangible assets);
other long-term assets (long-term investments, investments in subsidiaries and branches, in associates);
cash, settlements and other assets (cash, settlement and currency accounts, securities and short-term financial investments, settlements with participants, settlements with buyers, debtors);

long-term liabilities (authorized capital, depreciation of property, special funds and reserves); loans and other borrowed funds;

settlements and other liabilities (settlements with creditors, the budget, insurance authorities, and company personnel); and other liabilities.

When checking the correctness of determining the financial results of the company's activities, the study is provided:

revenue (gross income) from sales of products (works, services);
production costs of sold products;
results from financial activities and other non-operating operations.

IV CONCLUSIONS

That the need for international standards on auditing arose due to the following circumstances:

1. the Possibility of biased information of financial statements on the part of its compilers in the event of a conflict between them and users of this information (owners, investors, creditors);
2. Dependence of the consequences of decisions made (and they can be very significant) on the quality of financial information;
3. The need for specialized knowledge for conducting of internal audit by external audit companies;
4. The lack of users of financial statements to access it to assess its quality.

When you audit financial statements, you need to make sure that the balance sheet, profit and loss statements, and other financial documents are correct:

1. All significant transactions and transactions, major transactions and transactions registered at the end of the quarter or financial year, key financial indicators, coefficients and benchmarks that differ from the average for the past five years, unsatisfactory working capital situation, identified facts that indicate an unjustified need to sharply raise revenues to hold stock prices, the reasons and nature of legal actions against the company, especially in connection with claims from shareholders, use of different forms of financial reporting in the company's divisions.

2. When testing the use of profit analyze payments to the budget, deductions in reserve (insurance) Fund, listing gains in funds, in consumption Fund, on the charitable and similar purposes, on penalties.

3. Special attention should be paid to the analysis of receivables and payables, the dynamics of long-term and short-term financial investments (in shares and shares of other enterprises, in bonds and other securities, loans, etc.).

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