

Methods Of External Quality Control Of Audits

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Abstract:*The article deals with the development of science-based proposals and recommendations to identify problems in the organization of auditing organizations in the country in the context of modernization of the economy and to identify promising areas for its development. The article states that audit of financial statements is a necessary and important tool for the economy development, the results of external quality control of audit work in audit companies shows that timeliness and necessity of making these decisions depend on the quality of audits. The existing theories of classification of subjects of audit quality control show that 3 parts: government (financial ministry), audit public associations and audit companies must work together, also time by time they should do external quality control of audit work. In this regard, it is necessary to consider the nature of audit quality control and those interested in the quality of audits.*

Keywords: *audit, quality audit, quality control.*

1. INTRODUCTION

Nowadays, the Republic of Uzbekistan pursues an open economic policy. In this case, the economy of each country in the world is connected with the other, resulting in the integration of economies. Under the leadership of the head of our state, a policy of rapid development is being pursued in all spheres of the Republic.

Peculiarities of innovative development and quality improvement of audits in the implementation of modernization and structural changes in the economy, socio-economic significance, scientific and legal basis of the concept of improving the quality of audits, the quality of audits to international markets and accounting of foreign partners scientific proposals and practical recommendations on the application of international auditing standards in audit organizations, to determine the characteristics of their ability to meet the needs in terms of accounting and auditing. All over the world, attention is being paid to the organization of accounting and auditing of enterprises on the basis of international standards. Companies listed on stock exchanges in many countries around the world are required to prepare financial statements in accordance with international accounting and audit standards. Auditing has risen to a high level in many countries around the world, and a number of laws and standards have been developed for the development of auditing in each country, as well as in international accounting and auditing organizations. Another important aspect of auditing is that it confirms the accuracy of the annual accounting report and, with its conclusion, sets the appropriate level for the activities of the business entity. At the same

time, business expertise is conducted, which allows users to determine the investment policy and assess the likelihood of receiving dividends in the future. The use of expert work emphasizes that the audit opinion is more reliable. In particular, auditors should not underestimate the role of qualified assessment of short- and long-term forecasting calculations of client performance development. We know that auditing is evolving today, but a number of problems and shortcomings under President's Decree 3946 have hindered the further development of auditing, making management decisions and increasing the importance of audit services to improve the quality of corporate governance, in particular: "Fourth, there is no effective system of external quality control of audit organizations, which does not allow the licensing authority to take prompt action against cases of poor quality audit services and dishonest actions of auditors in the context of limited legal action".

2. LITERATURE REVIEW

Solutions to the problems of improving the methodological issues of the organization of the quality of audits should be based on scientific principles. In recent years, a number of scientific studies have been conducted to improve the quality of audit work, works have been published. To solve this problem, one of the areas of research is that we study the theory and practice of product quality (works, services). CIS scientists A.Yu. Kurochkina, G.E.Slezinger, S.A.Zhdanov, A.Yu. Kurochkina, as well as foreign scientists J.Yu. Kurochkina, who made a significant contribution to the development of the theory of quality in this area. Audit studies on quality control work VV Skobara, E.M. Guttsayt, O.V. Golosov, S.M. Bychkova, E.Yu. Itygilova, E.A. Sirotenko, M.A. Azarskaya, N.V.Astraxantsev, V. V. Kiz, A.S.Hudyakova, E.G. Bogrov, A.L.Zvezdina, I.S. Molojavenko, S.V. Pankova, P. A. Neverov, B. A. Amanjlova, N.A.Loseva, N.V.Dronina, D.V. Described in Elkin's research work. Also H.Anderson, E.A.Arens, Ch.H.Gibson, O.I.Gusarova, B.T.Jarylgasova, D.Colduell, A.I.Nechitaylo, B.Nidlz, Dj.K.Lobbek, V.F.Paliy, Y.V.Sokolov, V.P.Suyts, N.Trabelsi, Dr.M.Tulsian and A.D.Sheremet can be included.

Issues of organization and development of auditing and auditing organizations in the country are also discussed by K.B.Akhmedjanov, R.D.Dusmurov, A.K.Ibragimov, A.A.Karimov, Sh.N.Fayziev, N.F.Karimov, Z.T.Mamatov, A.S.Sativoldiev, E.F.Gadoev, N.Yu. Juraev, Yu.M. Itkin, M.M.Tulakhojaeva, X.N.Musaev, Sh.U.Haydarov, B.A.Hasanov, B.K.Hamdorov, A.Z. Avlokulov and other scientists.

It should be noted that in the works of the above scientists and experts, the problems of theoretical, legal organization and development of audit quality of work have not been studied as a whole system. The lack of a systematic approach to solving these problems and a number of other reasons require in-depth scientific research for the development of auditing in the country.

3. METHODS AND ANALYSIS

External quality control of the audit organization is a form of control based on the exchange of information between the competent authorities and audit organizations in order to study issues related to compliance of audit organizations with the legislation on auditing.

When conducting external quality control of audit organizations, the newly opened department of the Ministry of Finance controls the quality of audit organizations on the basis of the system "Risk Analysis".

The system of "risk analysis" - a risk analysis of violations of the legislation relating to the auditing activities of audit organizations.

On the basis of information available on the Ministry of Finance and auditors in public associations of the republic, including the Internet on the business reputation of audit organizations, risk analysis is carried out in the following cases:

Compliance with the obligations established by the Law of the Republic of Uzbekistan "On auditing", including the requirements and conditions of the license;

When the name and location (postal address) of audit organizations change;

When the audit organization is reorganized;

The ratio of the number of positive audit opinions to the total number of conclusions issued on the results of mandatory audits;

The ratio of the number of on-staff auditors under an employment contract or civil contract between the audit organization and the number of audits conducted by the audit organization during the year;

Number of business entities subject to mandatory audit;

Comparison of the cost of audit services of equal importance in audit organizations;

In the presence of appeals (complaints) of individuals or legal entities against the audit organization or the actions (inaction) of the auditor on violation of the requirements of the legislation on auditing;

The founders (participants) of the audit organization include an individual who is a non-resident of the Republic of Uzbekistan, a legal entity registered outside the Republic of Uzbekistan and persons who are founders (participants) of the previously terminated audit organization;

Taking into account the results of previous external quality control, including the voluntary conduct of auditors by public associations of the republic;

In accordance with the Decree of the President of the Republic of Uzbekistan dated July 27, 2018 No PF-5490 "On measures to further improve the system of protection of the rights and legitimate interests of business entities" audit organizations are not subject to external control.

Audit organizations are divided into three categories according to the level of risk:

- audit organizations with a high risk of offenses;
- audit organizations with a moderate risk of offenses;
- audit organizations with low risk of offenses;

Based on the above levels of violations, audit organizations are audited.

Today, the website aud.mf.uz of the department for external quality control of audit organizations within the Ministry of Finance has been launched. This site submits electronic reports of audit organizations located in the Republic of Uzbekistan and checks the quality of work of audit organizations on the basis of risk analysis.

The National Association of Accountants and Auditors of Uzbekistan carries out external control of audit organizations.

The difference between the external control over the quality of audit organizations in the Ministry of Finance and the external control of audit organizations of the National Association of Accountants and Auditors of Uzbekistan:

The National Association of Accountants and Auditors of Uzbekistan monitors the quality of audits of only audit organizations that are members of the association, and evaluates it in the annual audit rating conducted by the association. In the department of external control over the quality of work of audit organizations within the Ministry of Finance, all audit organizations operating in the Republic of Uzbekistan are selected and inspected on the basis of risk analysis.

In today's rapidly developing world, in an increasingly competitive environment in any field, the role of impartial economic control by both owners and regulators is growing. If auditors give a credible opinion on a client's financial statements, these reports allow users to make prudent economic decisions, avoiding high-risk transactions. The auditor's opinion increases the client's confidence in the company's financial performance and improves the attitude of stakeholders - owners, investors, prospective customers, suppliers, authorities to the business. Business entities use the services of auditors to audit their activities. At the same time, there is a requirement that audit organizations monitor their work in accordance with the requirements of regulatory documents. It is good that professional associations also carry out such control, because only the masters of their profession can give the most accurate and objective assessment of the work of the organization. Not only clients but also their practical partners trust audit organizations that are subject to external quality control. The purpose of external quality control is to verify the compliance of the audit organization and auditors with the requirements of the Law "On Auditing", national standards of auditing, international auditing standards, the Code of Professional Ethics of Auditors. Based on the results of external control, the audit organization receives the necessary expert advice to improve its activities and bring it into line with the requirements of legislation and international standards.

The practice of external quality control of audit firms in Uzbekistan was a financial crisis in the global economy in 2008, but it did not affect Uzbekistan, but the world blamed accountants and auditors for the miscalculation and improper audit. At that time, the International Federation of Accountants developed and approved the International Quality Control Standards - "Quality Control in Auditing Organizations Conducting Audits of Financial Statements and Interpretive Audits, as well as Other Assurance and Related Services" and "Quality Control in Financial Reporting Audits". The National Association of Accountants and Auditors of Uzbekistan, as a member of this prestigious international organization, is committed to the introduction of external quality control of audit organizations and the application of these standards in Uzbekistan. In recent years, the practice of external quality control of audit organizations has been improved by Presidential Decree No. PF-4848 of 5.10.2016 "On additional measures to ensure the rapid development of entrepreneurial activity, comprehensive protection of private property and improving the quality of the business environment." Supported the Resolution of the Cabinet of Ministers of the Republic of Uzbekistan dated 12.05.2017 No. 274 "On additional measures to ensure further improvement of the legal framework for the activities of audit organizations." Prospects for development were determined by the Presidential Decree No. PP-3946 of

19.09.2018 "On measures to further develop auditing in the Republic of Uzbekistan." A special department within the Ministry of Finance should be set up to develop this area.

External quality control is not mandatory for audit organizations and is mainly used by audit organizations that have a Level 1 license, ie the right to conduct all types of audits and inspections of all types of organizations. The clients of these organizations are the large advanced companies where not only the inspection itself but also the image of the organization that conducted it matters. The success of the company depends not only in our country, but also in the international market. Therefore, it is important that the reputation of the audit organization is high, that its work meets the requirements of legislation and international standards. It must be confirmed in various ways, one of which is external quality control. Audit firms working in this segment strive for higher positions in the rankings. In particular, proof of external quality control gives additional points to the participants in the rating compiled by the National Association of Auditors and the Chamber of Auditors. External quality control is an important condition for audit organizations seeking to become members of international networks of audit organizations. the number of organizations that have gone through this procedure varies from year to year. In 2016, the relevant services of the National Association of Accountants and Auditors - 17 organizations, in 2017 - 8 organizations. Today, there are a total of 101 audit firms in the market, 76 of which have a Level 1 license.

The National Association of Accountants and Auditors of Uzbekistan pays great attention to ensuring the quality, objectivity and reliability of external quality control of audit organizations. To date, we have approved the Regulations on the Committee for External Quality Control of Audit Organizations and a package of documents for external quality control of Audit Organizations. The person conducting the external audit shall act in strict compliance with these guidelines. It is important that only highly qualified specialists with extensive practical experience in the field of accounting and auditing, who can ensure quality and impartial supervision, are involved in the external audit. We are creating conditions for their professional development and professional development on the basis of the National Association of Accountants and Auditors of Uzbekistan. Particular attention is paid to the selection of an expert to be sent to a particular organization: he is assigned to that organization only if he has no personal interests. This is determined by analyzing the questionnaires completed by the supervisor and the person in charge of the audited organization. allows

As a result of the study of international experience and practice of regulation of auditing activities, the general principles, methods and approaches to the organization and construction of a regulatory model have been identified. In world practice, there is an increase in government regulation of auditing, but professional public organizations play an important role in regulating auditing: the International Federation of Accountants, the American Institute of Certified Public Accountants, the British Association of Accountants, the Scottish Institute of Accountants, the Irish Accountants and others. .

The analysis of the state of organization and regulation of auditing activities showed that the market of audit services does not meet the needs and development trends and quality assurance requirements. Currently, there is no single public policy in the field of audit. Self-regulation of auditing activities is not fully implemented, the role of professional audit

communities does not meet modern requirements in the training of auditors and training to international standards.

4. CONCLUSION/RECOMMENDATIONS

The analysis of the state of organization and regulation of auditing activities showed that the market of audit services does not meet the needs and development trends and quality assurance requirements. Currently, there is no single public policy in the field of audit. Self-regulation of auditing activities is not fully implemented, the role of professional audit communities does not meet modern requirements in the training of auditors and training to international standards.

Control - control (including quality control) and (or) verification of compliance by auditors and audit organizations with the legislation on auditing, international auditing standards, ethics and other mandatory documents, as well as the identification and non-violation of the above control objects and the imposition of penalties.

The purpose of control is to ensure the quality of audit services to encourage investment activity and to ensure the transparency and accuracy of reports.

Authorized body - a body that carries out control over the detection and prevention of violations by auditors and audit organizations in accordance with the legislation on auditing, international auditing standards, ethics and other mandatory documents, as well as the above objects of control and application. In conclusion, it is necessary to establish a separate body for external control over the quality of work on audit organizations in our country, which conducts mandatory audits. This body should be an independent organization based on normative documents that do not report to anyone, ensure the objectivity and transparency of its activities, and this organization should ensure the clarity of its data.

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