



AUDIT QUALITY CONTROL: METHODS OF EXTERNAL QUALITY CONTROL OF AUDIT WORK

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ANNOTATION

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.*

INTRODUCTION

Today, auditing activities are highly developed in many countries around the world, and several laws and standards have been developed for the development of auditing activities in each country and in international accounting and auditing organizations. Another important aspect of the audit activity is that it confirms the fairness of the annual accounting report and, by its conclusion, sets the appropriate level for the business entity. The use of expert work in IFRS's* also emphasizes that the audit opinion is more reliable. Especially, auditors should not underestimate the value of short-term and long-term forecasting of customer development. We know that auditing activities are developing today, but a number of problems and shortcomings under PD 3946 have been shown to hinder further development of auditing activities, increasing the importance of audit services for management decisions and improving corporate governance:

ANALYSIS AND RESULTS

"Fourthly, there is no effective system of external quality control of auditing organizations, which does not allow the licensing body to respond quickly to poor quality audit services and unfair behavior in the event of limited legal action";¹In accordance with the Presidential Decree No. PD-3946 dated 19.09.2018, the department of external quality

¹ Decree of the President of the Republic of Uzbekistan dated February 19, 2019 N PP-3946 "On measures for further development of auditing activities in the Republic of Uzbekistan". (<http://lex.uz/pdfs/3914502>)

*International financial report standarts

control of audit organizations will be established within the Ministry of Finance. The National Association of Accountants and Auditors of Uzbekistan (UzNAAA) is already doing this. Auditors' confidence financial statements of the client can be reasonably assured will enable them to make sound economic decisions, avoiding high-risk transactions. Auditor's opinion enhances the client's confidence in the company's financial activities and improves the attitude of interested parties - owners, investors, prospective clients, suppliers, and authorities to business. At the same time, there is a need for audit organizations to monitor their work in accordance with the requirements of regulatory documents. It is also desirable for professional associations to exercise such control, since only professionals in their occupations can give the most accurate and objective assessment of the work of the organization. External quality audit firms rely not only on their clients but also on their practical partners. The purpose of external quality control is to check the compliance of audit organizations and auditors with the requirements of the Law on Auditing, National Auditing Standards, International Auditing Standards and Auditors' Code of Professional Conduct. Based on the results of external auditing, the audit firm will receive expert advice necessary to improve its operations and bring it into compliance with the requirements of legislation and international standards. The practice of external audit of the quality of auditing organizations in Uzbekistan was a global financial crisis in 2008, but it did not have an impact on Uzbekistan, but the world was said to be the accountants and auditors responsible for the crisis, as a result of misinformation and unfair audit. Then the International Federation of Accountants developed the International Standards on Quality Control – ISA* "Quality control in audit organizations performing audit and commentary of financial statements, as well as other assignments and related services" and "IAS* 220" Financial Control Audit. , confirmed. As a member of this authoritative international organization, NAAA** introduces external quality control of auditing organizations and applies these standards in Uzbekistan. The Decree of the President No. PP-4848 of the Republic of Uzbekistan “On Additional Measures for Accelerated Development of Business Activities, Comprehensive Protection of Private Property and Qualitative Improvement of the Business Environment²” as well as the Ministers “About additional measures for further improvement of legal bases of activity of audit organizations³” Quality Resolution of the Cabinet of Ministers of the Republic of Uzbekistan dated May 12, 2017 No 274 b-supported.

Development prospects are set by the Presidential Decree No. PP-3946 "On Measures for Further Development of Audit Activities in the Republic of Uzbekistan" dated 19.09.2018. A special department should be set up within the Ministry of Finance to develop this area. External quality control is not mandatory for auditing organizations and is mainly used by audit firms that are eligible for Level 1 licenses, that is, all types of audits and audits of all types. The clients of these large companies are not only the audits but also the image of the organization. The success of the company depends not only on our country but also on the international market. For this reason, it is important that the audit firm has a high reputation and that its work complies with the requirements of legislation and international standards. It

² Decree of the President of the Republic of Uzbekistan dated October 10, 2016 N PP-4848 About additional measures for accelerated development of entrepreneurship, comprehensive protection of private property and qualitative improvement of the business environment(<http://lex.uz/docs/3039311>)

³ Quality Resolution of the Cabinet of Ministers of the Republic of Uzbekistan dated May 12, 2017 No 274/ “About additional measures for further improvement of legal bases of activity of audit organizations(<http://lex.uz/docs/3021244>)

*International audit standards

** National Association of Accountants and Auditors

should be confirmed in various ways, one of which is external quality control. Audit firms working in this segment are aiming for higher positions in the ratings. In particular, the fact that external quality control provides additional points to participants in the rating compiled by the National Association of Auditors and the Chamber of Auditors. the number of organizations that undergo this procedure varies from year to year. In 2016, the relevant services of the National Association of Accountants and Auditors - 17 organizations and 8 organizations in 2017. Today there are 101 audit organizations in the market, 76 of which are licensed to the 1st level.

The NAAA attaches great importance to ensuring the quality, objectivity and accuracy of external quality control of auditing organizations. This day we have approved the Regulation on the External Audit Committee of the Audit Organizations 'Association and the package of documents for external quality control of audit organizations' work. External oversight is strictly adhered to. We create conditions for their professional development and professional development on the basis of NAAA. A particular consideration is given to the selection of an expert to be sent to a particular organization: it is given to that organization only if it has no personal interest. This is done by analyzing questionnaires completed by the supervisor and the responsible person of the audited organization. All of these measures provide conditions for supervised organizations to make the most of their oversight - to conduct an objective review of their activities and to make recommendations for improvement and quality assurance in accordance with national legislation and international standards.

Analysis of the organization and regulation of auditing activities showed that the audit services market does not meet the requirements and development trends and quality assurance requirements. Currently, there is no unified public policy in the field of audit. Self-regulation of audit activity is not fully implemented, and the role of professional audit teams is increasing.

Auditing standards are one of the main areas of audit regulation and are an essential element of the regulatory framework and the quality of audit services. Comparative analysis of international and national audit standards shows methodological differences, which are as follows:

First, there is no conceptual approach to the development of national audit standards;

Secondly, most national auditing standards do not have a classification that poses certain difficulties in understanding their meaning and practical application;

Thirdly, national auditing standards do not include public sector audits aimed at developing and integrating financial reporting, accounting and auditing practices in the public and private sectors of the economy;

Fourth, addressing the quality of audit services requires further development of national standards and harmonization with international auditing standards.

The study allowed developing a verbal model of audit activity regulation, which includes mutually beneficial cooperation of three stakeholders:

- authorized executive body - the Ministry of Finance of the Republic of Uzbekistan (as the state);

- Public associations regulating auditing activities;

- Audit organizations.

We need to create a unified All-Union Audit Association, which will improve the state's rapid economic development and regulatory framework, and we will need to develop a more refined organizational and methodological framework for the audit.

The status of professional audit teams should be enhanced, requiring audit teams to include independent standards in their regulatory framework: Code of Ethics, Internal Audit Standards, procedures and procedures for unfair performance of auditors, quality of audit services. such as control.

The purpose of the development of national auditing standards is to streamline auditing activities, to provide and evaluate the quality of audit services. The quality of audit services is reflected in the reliability of audit services and in reducing the risk of audits, and the trustworthiness of audit results for interested users. Auditing standards relate to administrative methods of regulating auditing activities and set mandatory standards for all business entities. It reflects the theoretical, organizational and methodological basis for further development of national standards of auditing based on the conceptual approach.

CONCLUSION/RECOMMENDATIONS

The development of national auditing standards based on the proposed conceptual approach involves grouping ten elements:

- There are key principles in the national standards of auditing activities related to auditing organizations and services that may be provided by auditors; a dictionary of terms and definitions is to be entered;

- The first stage of the audit: the purpose and main principles of the audit of financial (accounting) reports; audit compliance; understand the activities of the entity under investigation; verification documents;

Planning: Audit planning; the importance of the audit; assessment of the audit and internal control risks carried out by the entity under audit;

- audit methodology: audit evidence; obtain audit evidence in certain circumstances; analytical procedures; sample of the test; the auditor's responsibilities to address errors and fraud during the audit; take into account the requirements of regulatory legal acts of the Republic of Uzbekistan during the audit; obtain information from outside sources that is verified by the auditor;

- Relationships of various entities during the audit: communication with the management of the business entity; statements and statements by management of the entity under investigation; to use expert work; consideration of internal audit; using the results of another auditor;

- peculiarities of the audit: the features of the audited entity; accounting of the specifics of the audit organization prepared by the specialized organization of financial (accounting) reporting; branches; Audit of calculated values;

Procedures at the final stage: feasibility of predicting the continuity of the entity under investigation; Submission of audit reports to the management of the entity under investigation and its owners after the reporting date; audit report on financial (accounting) reports; the audit firm's opinion on specific audit obligations; comparative information in financial

(accounting) reports; other information in documents, including audited financial (accounting) reports;

- related services: a description of the audit services and the requirements for them; verification of prospective financial information; Execution of agreed procedures on financial information; collecting financial data;

- obligations of the parties: rights and obligations of auditing organizations and economic entities under check; Internal audit quality management; requirements for internal auditing standards;

- status of auditing practice in Uzbekistan: features of auditing small businesses; risk assessment and internal control. Describe and consider the computer and information systems environment; computer-based audit of data; computer-based audit.

The development of national auditing standards based on the conceptual approach should be based on the IFRS. In addition, NAS* should include standards for public sector audits of the economy and provide relevant services to government agencies and state unitary enterprises.

*National audit standards

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