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Akmal Lolashovich Khakimov

Tashkent state university of economics,
Ph.D student,
Tashkent city, Republic of Uzbekistan

IMPROVEMENT OF AUDIT ORGANIZATION RATING IN UZBEKISTAN ACCORDING TO INTERNATIONAL AUDIT STANDARDS

Abstract: The article offers scientific-practical recommendations on improving the organizational and methodological aspects of determining the rating of auditing organizations. At the end of paper were concluded ideas and given recommendations.

Key words: International Audit, Audit Rating, Auditor Quality, Audit Service, Ranking, Index, Rating Agency, Rating Index, Evaluation Criteria, Specific Rate.

Language: English

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Introduction

As a result of the development of economic relations in the country, the most important issue today is the efficient organization of financial and economic activities of various types of ownership and improvement of professional auditing services. The effectiveness of auditing services and auditing activities largely depends on the quality of audits. Because the quality of these audits is a factor that creates favorable conditions for external information consumers, including investors.

In this regard, the Resolution of the President of the Republic of Uzbekistan dated September 19, 2018 No PP-3946 "On Measures for the Further Development of Audit Activities in the Republic of Uzbekistan" was adopted. [1]

Main part

On the basis of this Decree an action plan for further development of auditing activities in the Republic of Uzbekistan was developed. Auditors will

be identified by further improving the activities of public associations in the country, by ranking on the offending indicators that ensure the impartiality and independence of the evaluation mechanism of auditing organizations' activities;

1. Critical review of the rating practice of audit organizations and analysis of international experience in this field

2. Developing a transparent assessment mechanism and ranking methodologies for auditing organizations, including the offset of indicators that ensure the use of assessment results.

3. Provision of:

- placement of auditors ranking results on the websites of public associations of auditors and their publication in mass media;

- mechanisms for the constant updating of the offending indicators when evaluating the activities of audit organizations have been developed. [2]

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Fig.1.Audit activities algorithm

Source: <https://www.smartsheet.com/operational-audit-process>

In our opinion, Renking is a member of major auditing groups and networks, the largest audit firm for audit revenue, the largest auditing firm for revenue from statutory audits, ratings in the field of audit and consulting (auditing services), MSSS, ISAs. differentiates the auditing organizations and groups. At the same time, there are indicators that provide a transparent valuation mechanism and a procedure for using the results of the evaluation.

The importance of rankings is determined by the fact that each audit organization, which is designed to inspect various segments of the economy, will be able to timely determine the financial services market and conduct regular monitoring and inform internal and external users. Their aggregate index is a reliable indicator on the financial services market.

The rating methodology in the Regulation on rating activity of audit organizations of the Republic of Uzbekistan is a document aimed at summarizing and comparing quantitative and qualitative performance indicators of auditing organizations for the current period of the rating. Classification of audit organizations' activity is divided into groups depending on their similarity characteristics. the parameter is called ". Each parameter consists of several quantitative and qualitative indicators of the audit organization's performance, each of which is individually called the Rating Coefficient.

For each of the coefficients, scores are given for each of the coefficients, which is then averaged over the total score for each parameter. An overall rating score of the audit organization is obtained by the mean score of all parameters.

The exact list of coefficients and parameters, the order of summarized and averaged scores is presented in the rating methodology.

It was noted that the legal and regulatory framework for auditing activities has been established in the country, its development is significantly simplified and liberalized. At the same time, it is noted that practical measures for the organization of audit organizations are weak and in some cases poorly implemented, do not meet the increasing requirements of the audit system, and the audit is not yet a practical tool for evaluating business performance. In accordance with the above-mentioned Decree of the President of the Republic of Uzbekistan, in accordance with the Law of the Republic of Uzbekistan "On Audit Activities" further development of independent audit system, improvement of quality of audit services, application of effective management methods of audit organizations; creation of audit organizations to increase their confidence in their structures itsenziya requirements and conditions, audit organizations and their responsibility in front of the customer and liability in order to improve the quality of the audits, as well as a number of criteria.

Formation of the legal and regulatory framework for the audit services market in this area;

- study of foreign legislation and best practices in the area of auditing activities;
- Simplification of licensing of auditing activities;
- improvement of the system of certification and advanced training of auditors taking into account international practice;

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- Development of a modern and effective monitoring system for external quality control of audit organizations' work;

- the use of international auditing standards, the system of internal control over the quality of audit services, the system of training, certification and advanced training of auditors.

Provision on rating evaluation of audit organizations' activity in accordance with the Law of the Republic of Uzbekistan "On auditing activities" by the President of the Republic of Uzbekistan dated April 4, 2007 N PP-615 developed Development of the methodology for assessing the activities of auditing organizations of the Republic of Uzbekistan regulates the process of organizing and conducting rating assessments of audit organizations of Uzbekistan by public organizations of auditors of the Republic of Uzbekistan. [3]

It is possible to determine the rating of audit organizations based on their socio-economic and financial performance, and through the analysis of complex and systematic questionnaires based on their achievements and shortcomings. Basic indicators of the rating methodology as three factors:

- quantitative and qualitative,
- internal and external corporate resources,
- Comparative analysis of competitive advantage. In addition, the calculation of the index is based on a database that contains a number of non-financial, managerial decisions.[8]

The issues of determining the rating of auditing organizations are: Bogatin, N., Brook, M. Johnk, N. Igoshin, V. Kovalev, B. Nidles, V. Paliy, J. Foster, C. Horngren, V. Schwandar, A. Sheremet, R. E. Etononi.

Economists of the Republic are widely known in the work of R. Dustmuratov, A. Ibragimov, A. Karimov, M. Pardaev, M. Tulakhujueva, Sh.Haydarov, B. Hasanov, B. Hamdamov, O. Masharipov, Tursunov B. [8] and others.

However, the scientific work of these economist scientists has not been fully resolved to determine the rating of audit organizations in the context of economic liberalization. The conceptual bases of rating of audit organizations are not fully disclosed in their scientific work, and the directions for improvement in accordance with international standards are not fully defined.

Currently, it is desirable to implement the ranking methodology online, using the Internet. Because it can save time in the first place, and secondly, it is cost-effective.

Currently, it is desirable to implement the ranking methodology online, using the Internet. Because it can save time in the first place, and secondly, it is cost-effective. At the same time, ranking is a tool for economic monitoring. In addition to the business community, ranking can also be used by government agencies. The information provided by coloring can determine the direction of structural

changes, the future increase or decrease of economic growth rates. Customers in the market or competitors and administrative structures are very interested in this announcement. This is due to the fact that ratings are becoming an instrument of revitalization of the market mechanisms of the real sector of the economy, which is favored by foreign investors and the international economic community.

The rating is a popular source of information about specific businesses and is an important decision-making tool. Because it shows the entrepreneur the direction of industry development, business revival and opportunities for profit.

There are different approaches to determining a rating. However, there are 3 main ways to set a rating in the world practice. [4]

1. The method of numbering. Indicator of financial performance of the enterprise is accompanied by important conclusions and determination of rating points on each of the identified indicators.

2. Ball method. It is the most difficult method to determine a rating. This is because the status of each of the indicators identified in the economic activity of an enterprise should be expressed in the score. These cumulative (or accumulated) score scores determine whether an enterprise is eligible for a particular group.

3. Index method. It is the most widely used method in the world practice, which is calculated by calculating the index of each enterprise by its individual parameters.

Auditing organizations that are leaders in the audit services market are grouped by corporate categories (A, B, B).

Indicators of the specific indicators of the organization in the financial services market dynamics and comprehensive reflection of the industry development prospects are expressed as: InRUzA (for Audit), InRUzK (For Professional Services) with positive result (+) and negative (-).

The aggregate rating indexes for each organization is a more reliable indicator than the other indicators. The general trend in the financial services market is that only variables that can be converted to statistical indeterminate values (such as gross receipts) can be classified by this system. Therefore, the indexes approach the stock indexes according to their strategic objectives, such as InRUzA (for Audit), InRUzK (for professional services) and others. However, whether they are large or small does not necessarily reflect the value of a particular service, but only an increase, decrease, or sustainability of organizational performance. [6]

In this case, the index is not an absolute value, but its change (like all stock indexes, such as MMVB, RTS, Dow Jones Index, S&P, NASDAQ, Nikkei, etc.) is a key indicator of the upward or downward trend. Leading international agencies in the field of audit and professional services are International Accounting

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Bulletin (the world's largest auditing and professional services firms), Consultants News (top 50 largest firms), Management Consultant International (45). rating of the largest professional services companies and organizations, "Vault" (the annual rating of the 50 most influential companies from 760 professional service companies and organizations in the world).

The authority of the organization is measured on a 10-point scale, followed by a relative rating of the

participants. Rating agencies such as Standard & Poor's, Mood's and Fitch Ratings have a very good business value and their authority is enhanced by the acquisition of the company.

There are 4 largest auditing firms in the world rating, which are called "Big Four". These firms serve many countries. The development of audit activities has led to the emergence of large transnational firms. The largest of these audit firms are:

Table -1. Composition of the "Big Four" group of international audit organizations

Deloitte and Touch	Price Waterhous Coopers
Ernst and Young	KPMG

Each of the firms mentioned above has numerous offices in different countries, all of which are members of the Institute of Accountants. The Big Four serves about 90% of large customers. These

firms have the capacity to implement major international projects and provide nearly all types of consulting and auditing services.

Table -2. Total annual income of the "Big Four" group of international audit organizations (December 11, 2018y)

Sort by	Firm name	Total annual income, bln \$
1	Deloitte and Touch	43,200
2	Price Waterhous Coopers	41,280
3	Ernst and Young	34,800
4	KPMG International	26,400

Large transnational companies will increase their status as the Big Four's customers, thus enabling more customers. In addition, there is a gradual decline in the discrepancy between the Big Four companies. At the same time, it is possible to observe a sharp struggle for each client. For example, large multinational companies may select a tendering company for a tender. After all, most companies need the conclusion of one of the "Big Four" companies, not just Price Waterhouse Coopers or Deloitte Touch.

In the Republic of Uzbekistan it is necessary to further expand the use of the "Big Four" services of large audit firms. These data indicate that there is a need to improve the activities of audit firms in Uzbekistan and to establish them in accordance with the requirements of international auditing standards.[9]

The rating of auditing organizations has been in Uzbekistan for several years. Given the fact that the Regulation on Performance Rating of Audit Organizations of the Republic of Uzbekistan (Approved by the Chamber of Auditors and the National Association of Accountants and Auditors dated 18.04.2006, No. 99a), the methodology of its

evaluation is relevant. visible. The rating is traditionally carried out in four groups depending on the type of licenses of audit organizations: Auditors in all business entities (Group 1); Inspectors of JV type, all business entities (1M group); Initiatives and mandatory audits of business entities (Group 2); Auditors in the form of an initiative only in business entities (Group 3). The rating is evaluated by a number of factors: financial performance, business activity, corporate capacity. In 2018, the financial performance of the audit organization was estimated to be 35%, business activity - 30%, corporate capacity - 35%.

Criteria for evaluating audit organizations' activity are grouped by the following parameters and coefficients:

1. Scale (Km):

- the size of the authorized capital in the amount of the minimum wage (M1) on the date of formation;
- average value of one contract executed (M2);
- Total revenue (M3);
- Net Profit (M4);
- number of branches (M5) that are not legal entities;

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- volume of auditing services (M6) with the assistance of subcontractors;

- volume of audit services performed on a subcontracting basis.

2. Capacity of the personnel (UK):

- successful certification of the head of the organization (K1);

- Number of certified auditors (K2);

- Number of internationally recognized specialists (K3);

- availability of internal auditing standards and teaching aids (K4);

- Availability of auditors with international audit experience (K5);

- Average number of full-time auditors (K6) in the field of audit and accounting.

3. Diversification of activities (Kd):

- Increase in revenue compared to the previous year (D1);

- International Projects Auditing, ISMS and IAS Services (D2);

- Audit of credit institutions (D3);

- Audit of insurance organizations and investment institutions (D4);

- audit of joint-stock companies with the authorized capital of more than 500 million soums (D5).

4. Loss of Hope (Kn):

- advertising and representation costs (N1);

- membership in professional organizations (N2);

- availability of own office (N3);

- office rent (N4);

- public activities (published articles, books, seminars, lectures) (N5).

5. Stability (Kb):

- net assets (B1);

- access to international or national networks of audit firms (B2) with the right to use their methodology and to pass through their external quality control systems;

- External quality control (B3);

- personnel training (B4);

- audit market activity (B5);

- The average salary of state auditors (B6).

The rating of audit organizations is aimed at encouraging audit organizations to avoid dumping policies, to become members of a professional

organization, to carry out their activities thoroughly and openly, to take care of their personnel and to diversify their activities. Parameter coefficients are assigned a specific coefficient to give a qualitative assessment of the importance of each parameter:

1. Scale - 0.2;

2. Staffing capacity - 0.03;

3. Diversification of activity - 0.2;

4. Loss of loss - 0.05; 47

5. Stability - 0.25

The rating is based on the official reports (materials) of auditing organizations. The most important performance indicators of auditing organizations are used for its calculation. Each indicator is also used to indicate the value of the parameter

It should be noted that the whole rating methodology is based on a large-scale analysis and analysis of financial, statistical and other information and the use of analytical methods. As a result, it will be possible to draw relevant conclusions about its participants.

In our opinion, the following criteria should be taken into account when determining the rating of audit organizations:

- Dynamics of audit services in the Republic of Uzbekistan by industry;

- Dynamics of key performance indicators of audit organizations;

- weight of audit organizations in the territory of the Republic of Uzbekistan;

- structure of local market of auditing organizations;

- factors influencing the selection of audit firms by the players, etc.

Analysis of the rating results will help to discover new types of audit in the financial services market, eliminate problems in the field of audit and accelerate its development.

As it was mentioned above, implementation of the results of our scientific researches, development and further development of auditing activities in the Republic, proper assessment of financial and economic activity of business entities, ensuring reliable, unbiased and independent audit of financial and economic activities of all enterprises, regardless of ownership. to encourage better quality of service.

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