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## ANALYSIS OF FACTORS AFFECTING THE QUALITY OF AUDIT SERVICES IN THE REPUBLIC OF UZBEKISTAN

**Abstract:** The article examines the factors affecting the quality of audit services in the Republic of Uzbekistan.

**Key words:** quality, audit, factors.

**Language:** English

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### Introduction

Recently, the country has been rapidly reforming its audit activity. As a result, various aspects of the development of the audit services market are observed. 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.

The aim of the research work is to develop proposals and recommendations on improvement quality control of audit work.

Research objectives are as following:

develop practical proposals for further improvement of legal documents, which are related to quality control of auditing;

analysis of the condition of organization of audit organizations activities in our country and develop proposals to eliminate problems during their organization;

develop recommendations on improvement the procedure for assessing the quality of audits when conducting external quality control of audit work in audit organizations;

develop proposals for dividing audit organizations into risk categories;

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recommend the development of internal standards for quality control assurance in audit organizations;

develop proposals to eliminate problems of external quality control system of audit organizations;

develop recommendations on improvement the process of assessing the internal quality control system in audit organizations.

The research objects are audit organizations, which are operate in the Republic of Uzbekistan, the

competent public authority, who regulate audit activity and non-state professional associations of auditors

Here is some information provided by the Ministry of Finance, the designated audit body. First of all, let us dwell on the level of participation of audit organizations in international audit networks (Table 1).

**Table 1. Participation of audit organizations in international audit networks [1]**

Indicators	International network of audit organizations		
	Oct 2018	Dec 2019	Feb 2020
Audit organizations included in the international audit network (In the total number of audit companies in Uzbekistan) %	21.4	21.8	23.2
Auditors included in the international audit network (In the total number of auditors in Uzbekistan) %	25.9	27.8	26.6

According to Table 1 , the share of audit organizations entering the international network increased from 21.4% in 2018 to 23.2% by 2020. Also, the share of auditors working in these audit

organizations in 2018 was 25.9%, and by 2020 this figure will reach 26.6%.

Table 2 shows the share of income of audit organizations in the regions of the country by type of service.

**Table 2. Income structure of audit organizations [2]**

Regions	2018 year		2019 year		2020 year	
	Share of audit services %	Share of professional services ,%	Share of audit services %	Share of professional services ,%	Share of audit services %	Share of professional services ,%
Republic of Karakalpakstan	89.5	10.5	100	-	100	-
Andijan region	60.3	39,7	73.4	26.6	78.7	21.3
Bukhara region	100	-	100	-	100	-
Jizzakh region	84.0	16.0	78.7	21.3	79.6	20.4
Kashkadarya region	89.6	10.4	87.8	12.2	88.0	1 2.0
Navoi region	78.3	21,7	63.4	36.6	65.5	34.5
Namangan region	83.8	16.2	85.1	14.9	92.1	7.9
Samarkand region	94.2	5.8	92.9	7.1	93.1	6.9
Surkhandarya region	100	-	100	-	100	-
Syrdarya region	88.2	11.8	92.2	7.8	97.4	2.6
Tashkent region	79.0	21.0	63.7	36.3	25.6	74.4
Ferganskaya region	84.0	16.0	71.1	28.9	45.7	54.3
Khorezmsky region	83.4	16.6	100	-	87.8	12.2
Tashkent city	75.2	24.8	73.4	26.6	67.6	32.4
<b>Republic of all</b>	<b>75.7</b>	<b>24.3</b>	<b>74.0</b>	<b>26.0</b>	<b>67.6</b>	<b>32.4</b>

According to Table 2 , in 2020 the share of revenues from audit inspections amounted to 67.6 of the total services % share of revenues from professional services - 32.4%. In the Republic of

Karakalpakstan, Bukhara and Surkhandarya regions, the share of income from audit services was 100%. H By contrast, revenues from professional services were

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higher in Tashkent (74.3%) and Ferghana regions (54.3%).

If you pay attention to the audit organizations that are included in the "Big Four", then you can be sure that the share of income from audit in these organizations in the total revenue is about 30-40 % .

This fact indicates the need to increase the number of professional services in audit organizations of the country.

Table 3 shows the audits performed and the application of international standards in verification .

**Table 3. Number of business entities verified [3]**

Regions	2018 year		2019 year		2020 year	
	Mandatory and proactive audit and customer verification	including in accordance with International Standards on Auditing	Mandatory and proactive audit and customer verification	including in accordance with International Standards on Auditing	Mandatory and proactive audit and customer verification	including International Standards on Auditing
Republic of all	5722	505	5467	492	5098	870
Tashkent city	3289	413	3281	421	3105	806
other regions	2433	92	2186	71	1993	64

Based on the data in Table 3 , the number of audits conducted in 2020 decreased compared to 2018 - 624 (5098-5722). This condition is associated with the coronavirus pandemic . However, in 2020, the number of inspections carried out in accordance with international standards amounted to only 870, or

17.1% of the total number of inspections. This is one of the main issues in ensuring the quality of audit work.

Table 4 presents some indicators of the activity of the auditing organization " KK - Audit Servis " operating in the Republic of Karakalpakstan.

**Table 4. The main indicators of the audit organization " KK- Audit Servis " [4]**

No.	Indicators	Oct 2018	Dec 2019	Feb 2020	Increase in 2020 compared to 2018 , in percent
1.	Number of auditors	4	4	4	100
2.	Including the number of auditors with international certification	1	1	1	100
3.	Number of Auditor Assistants	6	4	4	66,7
4.	<b>TOTAL INCOME IN THOUSANDS OF AMOUNTS, Including</b>	169 104,6	254 355,0	267 646,0	158, 3
	From audit services in thousands of soums	169 104,6	254 355,0	267 646,0	158,3
	From related services in thousands of soums	-	-	-	
5.	<b>The total number of audits performed, Including</b>	103	117	106	102,9
	Mandatory audits	48	56	67	139,6
	Proactive audits	55	63	36	65,5
	<b>Including: based on ISA</b>		2	3	-
6.	<b>Distribution, number of economic entities by type of activity</b>				
	industry	1	2	9	900
	building	8	20	6	75

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	Transport		2		
	agriculture, forestry and fisheries		14	27	-
	Wholesale and Retail	16	28	18	<b>112,5</b>
	financial and insurance activities				-
	Other	78	51	46	<b>59,1</b>

Looking at the data in Table 4, we can see that the revenue of audit firms in 2020 increased by 158.3% compared to 2018. This audit organization employs 4 auditors, only 1 of them has an international certificate. In addition, the audit

company did not receive income from related services every three years. These circumstances require improvement of the audit organization's activities and improvement of quality control of the auditor's work.

- [1] Prepared by the author based on the materials of the Ministry of Finance of the Republic of Uzbekistan.  
 [2] Prepared by the author based on the materials of the Ministry of Finance of the Republic of Uzbekistan.  
 [3] Prepared by the author based on data from the Ministry of Finance of the Republic of Uzbekistan.  
 [4] Prepared by the author based on the data of the auditing organization "KK-audit service"

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