



Directions for the Application of Analytical Procedures in Auditing

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ABSTRACT

The article highlights important areas of using analytical operations at the initial stage of audits for the effective organization of audit activities in our republic in a competitive economy and improving the quality of its work.

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Introduction. In our republic, as in all areas, a number of positive activities are being carried out in the field of radical reform of audit activity, improvement of its organizational and legal foundations based on international experiences, and improvement of the quality of work of auditors and audit organizations.

In particular, in the Decree of the President of the Republic of Uzbekistan 3946, dated September 19, 2018 "On measures for the further development of auditing activities in the Republic of Uzbekistan", "... the current system of special training of auditors and improving their qualifications has a superficial tone, and the quality of professional training and auditing services does not provide the required level, including compliance with international standards of audit activity, which leads to a decrease in the reputation of the auditor profession" □2□.

Also, in the Law of the Republic of Uzbekistan "On Auditing Activities" adopted on February 25, 2021, special attention was paid to the quality of work of auditors and auditing organizations.

One of the important factors that serve to increase the effectiveness of audits and improve the quality of the auditor's work is the use of analytical procedures. Analytical operations are one of the methods of obtaining audit evidence to justify the auditor's opinion on financial statements and prepare an audit opinion, and one of the activities used to determine, analyze and evaluate the relationship between the organization's financial and economic indicators.

Business continuity assumptions determined by the auditor are a guarantee of a high level of confidence by investors, suppliers, major customers, credit institutions and other partners.

Currently, many auditors consider the information obtained as a result of analytical procedures to be less reliable and, as a result, focus their efforts on activities such as documentation, verification, recalculation, confirmation, as a result of which they assume more confidence and use analytical procedures in their name. In fact, analytical procedures are very effective and help to detect errors up to 27%□10□.

In the current conditions, where the competition in the market of audit services is increasing day by day, the heads of audit organizations are required to manage and optimize the costs incurred in audits, to reduce the unnecessary costs to the maximum extent.

In order to achieve the maximum reduction of labor costs in the collection of audit evidence by audit organizations, it is desirable to make extensive use of analytical operations in order to increase the efficiency of services.

Based on the above, conducting in-depth scientific research aimed at improving the directions of using analytical procedures in audits remains one of the urgent issues of today.

Literature review. Issues related to misstatements and how to identify them remain relevant today, because misrepresentation of financial statements poses a risk to all its users (investors, lenders, borrowers, company managers).

Types of errors in financial statements and methods of their detection are considered in international audit standards, as well as in the work of local and foreign experts. Great attention is paid to the use of analytical measures in studying compliance with the principle of business continuity assessment. Business continuity analysis is an attempt to anticipate the manifestation of crisis conditions of the enterprise.

Evaluating the continuity of the organization's activities in the long-term perspective is one of the main

ways to identify signs that indicate a threat to the effective activity of an economic entity in the future. In the current conditions, reliable, high-quality and transparent information is of particular importance for the users of information, which will enable the enterprise to carry out its activities in the near future.

According to International Auditing Standard No. 520, which is called "Analytical Procedures", the auditor should apply analytical procedures during the planning stage, the final stage, and other stages of the audit. Currently, the simple procedure of auditing does not allow to form an adequate opinion about the reliability of financial (accounting) reports.

According to this standard, "Analytical operations" consists of evaluating financial information by studying the relationship between financial and non-financial information [8]. Analytical procedures also include the study of identified deviations and relationships that contradict other relevant data or are fundamentally different from assumed data.

Analytical operations involve the study of significant coefficients and trends, their recent changes and deviations from other relevant data or predetermined (predicted) values by analyzing their correlation. Significant deviations in indicators require a detailed study of these substances. This allows the auditor to focus on high-risk items and reduce redundant inspections.

S.M. Bychkova groups analytical operations according to the complexity of implementation and the level of reliability of the obtained evidence:

- non-quantitative procedures that involve the use of general knowledge available in the field of accounting or methods that include the specific characteristics of the enterprise;
- simple quantitative procedures (coefficients, trend analysis, variance analysis, or preliminary testing) used to assess relationships between accounts;
- more complex quantitative procedures using economic, statistical models in relation to the general balance of accounts or variables causing change [6].

According to V.V. Kovalyov's classification, analytical operations are divided into four types:

- analysis of compliance of the financial and economic operations carried out in the organization with the current regulatory documents and assessment of the correctness of the deviations;
- analysis of compliance of report data with account registers and original documents;
- analysis of the client's financial situation in order to justify the audit company's opinion about the client's ability to continue its activities in the future for a certain period of time (confirmation of the principle of a working enterprise);
- analysis of the client's financial situation in order to determine the reserves for increasing the efficiency of the financial and economic activity [9].

M.V. Tarasova groups analytical operations according to the following functions:

- the possibility of application in a specific audit: general procedures (used in any audit - comparison with indicators of previous reporting periods, comparison of values of different reporting indicators, calculation of coefficients, analysis of accounting policy);
- special procedures (applied when information is available - comparison with planned indicators, industry data);

- audit phase: used in the planning phase of the audit, used in the initial planning phase, in the verification phase, in practice, in the last phase;
- The purpose of the results of analytical operations: organizational procedures (the results of the procedures are used for efficient and quality construction and audit); detailed tests (designed to identify errors or their suspicions);
- the frequency of using the results of analytical operations: one-step procedures (the results of the procedures are used once); final procedures (the results are used throughout the audit) □ 11 □.

From the classification proposed by V.V. Kovalyov, it can be seen that the author considers the analytical operations not only for the purpose of identifying differences, but also for justifying the possibility of continuing the enterprise's activities in the future. In our opinion, this approach is broader and more perfect than the approaches proposed by many authors.

Analysis and results

In the international audit standards, it is recognized that the analytical operations during the audit process are used in the audit planning process, during the audit process, and at the final stage of the audit.

The main purpose of using analytical procedures in the planning stage is to draw the auditor's attention to indicators that deviate from the main indicators and are the most important.

The following tasks should be performed during the audit planning process.

1. Evaluation of changes in the indicators of the reporting period. If the audit is not conducted for the first time, then the accounting and reporting data of the current year are compared with the verified data of previous years.
2. Identification of potential risk areas in the financial statements for the audited segment. If the sum of unusual fluctuations is large, then the auditor must determine whether these are the result of normal economic events or the result of distortions.
3. Shortening the detailed test. If unusual fluctuations are not detected during the use of analytical procedures at the planning stage, the probability of serious errors in cost accounting is considered minimal. Thus, the auditor can reduce the detailed examination of turnover and account balances for the analyzed segment.

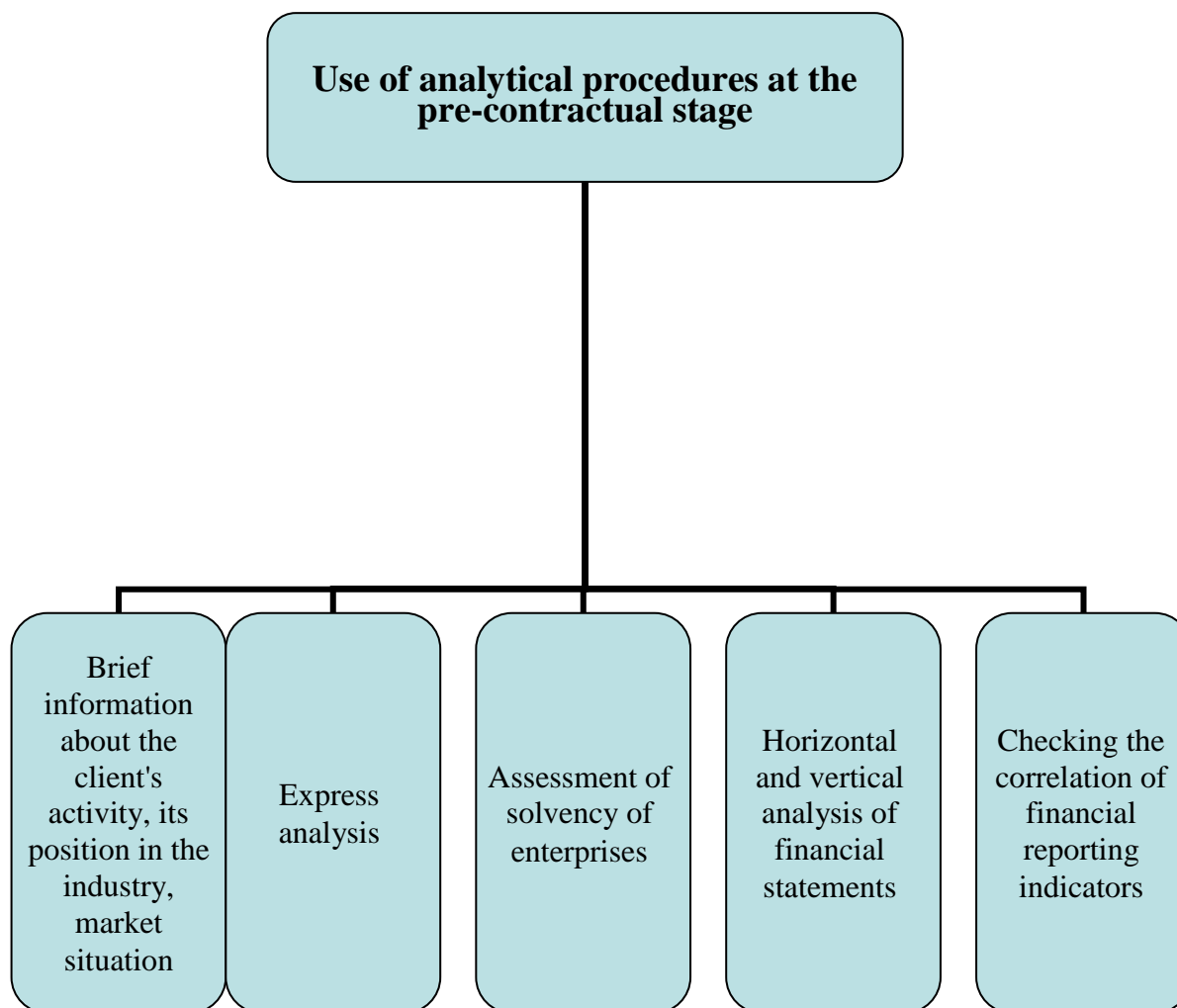


Figure 1. Usage of analytical procedures at the pre-contractual stage

When using analytical procedures at the planning stage, it should be remembered that the choice of coefficient calculation methods is based on regulatory documents, internal standards or the auditor's professional conclusions. The following methods are used in the analysis of financial reporting indicators:

- calculation of relative indicators of the current period;
- comparison and analysis of changes in relative indicators calculated in different periods;
- Comparison of changes in several types of relative indicators

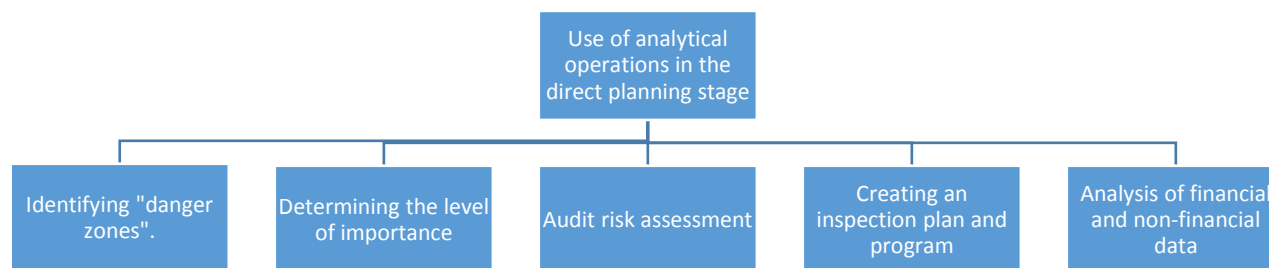


Figure 2. Use of analytical operations in the planning stage

According to the recommendations of the Committee on the Generalization of Auditing Practices of Great Britain, the following criteria should be used in assessing the continuity of the enterprise's activities:

The first group - criteria and indicators of real financial difficulties as a signal about the bankruptcy of the enterprise in the future:

- increase in losses and damages of the enterprise;
- increase in excess and unnecessary inventories and reserves;
- an increase in the weight of physically and mentally obsolete equipment;
- increase in overdue payables and receivables;
- persistent violation of contractual obligations and payment discipline;
- lack of working capital;
- chronic lack of financial resources to support economic activity;
- decrease in cash receipts;
- increase in the share of loans in capital structure;
- improper investment policy;
- negative changes in the portfolio of orders;
- difficulties in obtaining bank loans;
- decrease in the market value of securities issued by the enterprise.

The second group is indicators that do not indicate actual bankruptcy, but indicate that the financial condition of the enterprise may deteriorate in the future:

ineffective investments;

insufficient diversification of enterprise activity;

disruption of the rhythm of the production process;

lack of scientific and technical achievements in production;

low level of technical equipment;

unstable income of the enterprise;
financial management policies based on fraud;
loss of key management personnel;
participation of the company in court proceedings with a negative result;
Reducing dividend payments and others□12□.

The use of such analytical procedures allows the auditor to assess the risks of the continuity of the enterprise's activity and the presence of errors in the financial statements.

CONCLUSIONS AND SUGGESTIONS

In conclusion, it can be said that the work on improving the accounting system and auditing activities in our republic is an integral part of economic reforms and will serve to increase the confidence of foreign investors in the economy of our country and provide information users with reliable information.

Also, audit activity develops as a type of business activity, creating a basis for the popularization of audit services, increasing the trust of business entities in them, increasing the importance of audit services for making management decisions and improving the quality of corporate management.

The following proposals can be made for the use of analytical operations in improving the quality and efficiency of audits conducted by audit organizations in our republic:

1. Use of modern methods and methods of economic analysis in conducting audits by audit organizations and providing other types of audit services;
2. By using the "express analysis" method when familiarizing with the client's business, evaluating the main indicators of the enterprise's activity and identifying the "risk zones" in the financial report;
3. Identifying the errors in the financial statements made as a result of accidental or technical, illegal actions of interested persons and non-compliance with the accounting standards by means of analytical procedures;
4. Wide use of analytical operations in order to assess the continuity, efficiency and economic stability of the enterprise.
5. Based on the use of analytical operations, development of recommendations for the management of the client enterprise on improving the enterprise's activity and management efficiency.

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