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Issues of Using Analytical Procedures in the Audit Activities of the Republic of Uzbekistan

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Abstract: The evolution of global audit practices has led to an increased emphasis on analytical procedures, which enhance overall audit quality. This article explores the role and significance of these procedures, focusing on their practical application in improving audit methodologies. Despite the widespread use of analysis in auditing, there remains a gap in optimizing the methods and guidelines for their effective implementation. The research aims to address this gap by examining current practices and proposing enhancements. Using a combination of literature review and case studies, the study finds that refining analytical procedures can significantly improve audit accuracy and efficiency. These findings have important implications for advancing audit methodologies and standards globally.

Keywords: Audit, Audit procedures, Analytical procedures, The audit stage, The effectiveness of the audit.

1. Introduction

It is important to collect and analyze sufficient audit evidence to increase the reliability of financial reporting indicators. From this point of view, the performance of evidence and analytical operations on them during the implementation of the audit affects the quality of the audit conclusion. An audit requires the auditor to have a thorough understanding of not only accounting and financial reporting knowledge, but also skills in financial analysis, information technology, valuation, management, and so on. The importance of auditing financial statements is especially growing in the context of the global financial crisis, which is manifested in the fact that audit companies are looking for new ways to optimize their expenses [1].

In a market economy, an audit evaluates the quality of the audit evidence collected by applying analytical procedures. Analytical operations are one of the ways to obtain audit evidence at all stages of an audit, which undoubtedly affects the formation of a reasonable audit opinion, forming the necessary part of the audit process. Analytical operations range from simple calculations for their diversity to mathematical and statistical calculations. In fact, analytical operations are the most complex methods used by the auditor. It should be noted that the concept of analytical operations covers not only settlement operations, but also other operations, such as analyzing reports, discussing the

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necessary issues with the client's management, and collecting information from external sources [2].

With the help of analytical operations, along with the identification of deviations, and errors in financial statements, the client solves such important tasks as studying the activities of the enterprise, assessing the financial condition of the enterprise, determining the prospects for ensuring business continuity, as well as reducing the number of audit operations. In international audit practice, analytical operations are carried out by the international audit standard No. 520 - "Analytical Procedures." Currently, the requirements for performing analytical operations in Uzbekistan, as well as the activities of the auditor based on the results of performing analytical operations, are regulated following this international standard [3].

2. Materials and Methods

When conducting an audit, methods of economic analysis are widely used. At the same time, economists recommend using such general methods as comparison, horizontal analysis, vertical analysis, balanced method, coefficient method, national analysis, synthesis, deduction, induction, modeling [4]. The application of these methods is relatively simple and does not require excessive labor and time, therefore they are widely used by auditors.

In addition, methods such as probability theory, mathematical statistics, correlation regression analysis, linear programming are used [5]. Which method depends on the purpose of the analytical operations and is determined by the auditor. Using these methods, the auditor carries out the following activities defined in IFRS No. 520 "Analytical Operations":

1. Comparison of financial reporting indicators of an economic entity with its planned indicators;
2. Comparison of actual financial statements with the forecast indicators set by the auditing organization;
3. Comparison of financial reporting indicators with current legislative and regulatory documents or regulatory documents determined by business entities themselves;
4. Comparison of financial reporting indicators with indicators not included in the financial statements";
5. Comparison of financial reporting figures with industry averages;
6. Analysis of changes in financial reporting indicators over time and relative ratios related to them.

The auditor must perform analytical operations at all stages of the audit, including when planning an audit, when assessing the risks of the client in the process of studying the activities of the enterprise; when performing audit operations on the merits; audit completion phase [6].

3. Results and Discussion

Performing analytical activities at the audit planning stage allows you to better determine the critical limits of the client's activity, as well as more accurately calculate the level of audit risk [p. 3, 155]. In addition, you can determine the problems of defining a verification strategy, generating financial information and its presentation [7].

At the same time, along with financial information about the activities of the client being audited, non-financial information is also used. Therefore, at the planning stage, analytical activities play an important role in the development of the audit program.

Regardless of the stage of analytical operations, the auditor develops a plan for their implementation. Analytical operations are carried out in the following stages (Figure 1).

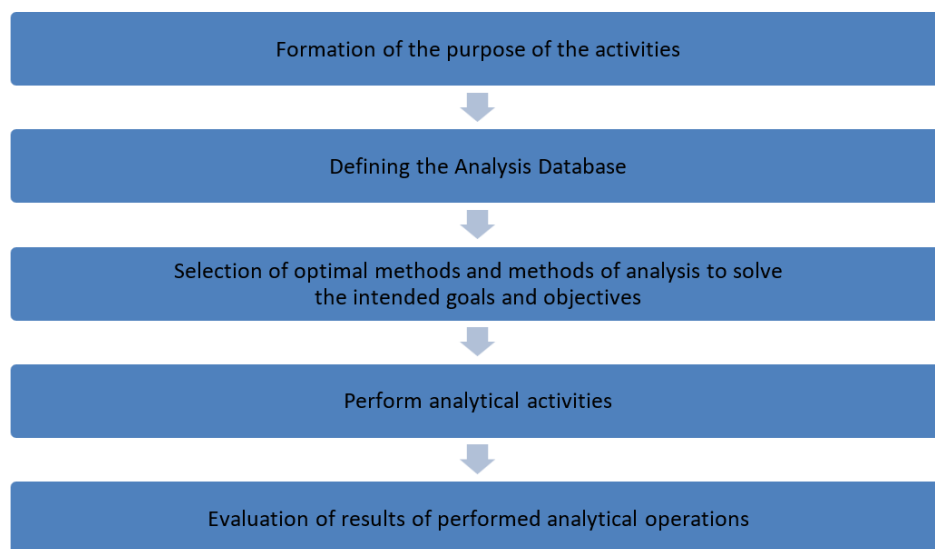


Figure 1. Analytical operations can be different in scale, application, means used, and information used.

Therefore, you can group analytical activities according to several characteristics. Analytical operations can be aimed "for the following purposes":

- a. study of business entity activity;
- b. study and evaluation of the internal control and accounting system;
- c. collection of audit evidence on objects related to financial reporting;
- d. additional audit procedures, if necessary;
- e. forming a final opinion on the reliability of the financial statements.

Analytical studies can be based on "information obtained from internal sources, external sources and mixed sources." It should be noted that the source of information is important in assessing the level of reliability of the results of the auditor's analytical operations [8]. According to international standards, the reliability of analytical operations is much higher when comparing information from internal sources with information from external sources. The reliability of analytical operations is influenced by the following factors [9]:

1. Significance of balances in the settlement account;
2. Results of other analytical activities aimed at the same inspection object;
3. Discrepancies of indicators used in the implementation of analytical measures;
4. Use of dissection information when performing analytical activities.

Table 1. Systematization of analytical operations.

Systematization Criteria	Types of Analytical Operations
By method	<ul style="list-style-type: none"> - Simple comparison; - Operations based on general scientific methods; - Actions based on the methods of interrelated economic sciences.
For the purpose of conducting	<ul style="list-style-type: none"> - study of the Client's activities; - Study and evaluation of the internal control and accounting system; - identification of violations of financial statements; - reduction of the number of audit operations; - Final opinion on reliability of financial statements.
By information sources	<ul style="list-style-type: none"> - Internal sources; - External sources; - Mixed sources. Ички манбалар;

At present, comparing the activities of the republic's auditors with international practice, it can be stated that the use of analytical procedures in audits is not sufficiently developed. One of the main reasons for this is that the audit activity in Uzbekistan is in the development stage and mainly performs the function of audit confirmation. That is, until the audit switched to risk [10]. As a result, the audit focuses on a separate review of internal documents rather than conducting risk-based analysis.

Secondly, it can be noted that in some cases audit organizations do not fully comply with the requirements of national audit standards. It should be noted that, taking into account the improvement of international audit standards, it is advisable to develop manuals for their effective use [11].

In this regard, it should be noted that our national literature does not sufficiently cover the analysis procedures and the procedure for documenting its results. Since analytical operations are one of the types of obtaining audit evidence, they must be documented by the auditor during the audit. In this case, the working documentation should reflect the goals of analytical operations, the algorithm for their implementation, as well as a description of the achieved result in the required order [12].

The purpose of an analysis activity is to describe the tasks that it performs. The purpose should be brief and specific, for example, to analyze the composition and structure of capital, liquidity indicators, solvency in order to confirm the correctness of the property tax calculated in the reporting period, to ensure the continuity of the enterprise.

When covering the algorithm for conducting analytical operations, the auditor must determine the amount of information analyzed and its sources, as well as indicate the method of analysis.

According to the results of analytical studies, the conclusion can be twofold:

- 1) the auditor has achieved the intended goal, the task has been completed, no significant deviations have been identified;
- 2) it may be that the analysis did not achieve this goal, while the auditor uses other methods, or decides to apply additional audit procedures related to the identified discrepancies.

When documenting the results of analytical operations, the auditor can use such tables, graphs, diagrams. Based on the above, the need for extensive use of analytical procedures in audits can be justified by:

Today, as a result of increased competition, the availability of reliable information on the financial condition of the enterprise, increased requirements for audit quality, in particular, the entry of Uzbek enterprises into the international capital market, the transition of financial reporting and audit to international standards for customers of audit services and audit, there is an increase in user requirements. Under these conditions, audit organizations are forced to provide high-quality services at minimal cost. One way to solve this problem is to use analytical audit methods [13]. This will allow the auditor to obtain the necessary information in less time. This will reduce audit time and specialist costs

In accordance with the Decree of the President of our country dated February 24, 2020 No. 4611 "On additional measures for the transition to international financial reporting standards," providing foreign investors with the necessary information environment and increasing access to international financial markets by accelerating the transition to international financial reporting standards, as well as accounting and auditing, improving the system of training specialists in accordance with international standards [14]. Based on these tasks, commercial banks are currently audited on the basis of international financial reporting standards, and its conclusion is published together with the consolidated financial statements. It is appropriate to validate reports based on international standards, based on international standards and using audit methods and procedures that are considered effective in international practice

Strengthening audit quality control. Increasing requirements for audit quality by external users requires the use of methods and methods used by audit organizations in world practice. The quality of audit services is directly the result of the auditor's professional knowledge and experience. It should be noted that the implementation of the above measures is important in further improving the activities of audit organizations in our country and improving the quality of their services [15].

4. Conclusion

In conclusion, the study underscores the critical role of analytical procedures in enhancing the reliability of financial reporting and audit outcomes in Uzbekistan. Despite the limited adoption due to the early stages of audit development, there is growing potential for the integration of risk-based analysis as Uzbekistan transitions to IFRS. The application of analytical procedures, as prescribed by IFRS 520, offers significant benefits for auditors, including improved accuracy in audit opinions and enhanced assessments of financial stability. However, further alignment with both national and international standards is essential, alongside the development of comprehensive guidelines for the practical application of these methods. These findings imply that the successful adoption of advanced analytical techniques in Uzbekistan's auditing practices will require targeted improvements in auditor training, standardization of methodologies, and consistent compliance with international best practices. Future research should focus on assessing the effectiveness of these procedures post-implementation and exploring additional ways to integrate advanced analytics into the audit process to enhance overall audit efficiency and quality.

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