

**ANALYSIS OF THE AUDIT AND PROFESSIONAL SERVICES MARKET
PROVIDED BY AUDIT ORGANIZATIONS IN UZBEKISTAN**

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Abstract: This article analyzes audit organizations and auditors operating in the audit market of Uzbekistan, their audit services, mandatory and initiative audits, as well as the audit market.

Keywords: audit activity, audit organization, auditor, statutory audit, initiative audit, audit report, audit services

INTRODUCTION

In Uzbekistan today, a strong regulatory legal framework for audit activity has been created. A unique environment is being created to form the audit services market, create favourable conditions for its development, and strengthen healthy competition.

In the conditions of globalization of world markets and the complexity of the economic system, more and more importance is attached to the reliability and quality of information in making investment decisions. Financial reporting is one aspect that is considered by investors. The reduction of information risks for investors can be realized only when they are sure of the authenticity of the audited report, so the efforts of regulators should be directed to improving the quality of auditors' work and increasing their professional competence.

According to the Law of the Republic of Uzbekistan "On Auditing Activities" №-677 of February 25, 2021, Audit organizations provide audit services in the form of audit inspections and related services. Audit services are provided on the basis of a contract concluded between an audit organization and a customer of audit services [1].

Also, according to Article 33 "On Auditing Activities", audit organizations can provide the following related services:

establishment, restoration, maintenance and preparation of accounting, including preparation of financial statements according to international standards of financial reporting;
providing advice on accounting and financial reporting issues;

in the presence of a tax consultant in the state of the audit organization or by engaging him on the basis of the terms of the contract, to give advice on applying tax legislation, making calculations and declarations on taxes and fees;

financial analysis and financial planning, including preparation of business plans, economic, financial and management consulting;

conducting seminars and conferences on accounting, auditing and financial reporting, taxation, analysis of financial and economic activities and financial planning;

automation of accounting and financial reporting, development of recommendations on information security of financial information.

audit organizations may provide other similar services provided for by the standards of audit activity.

LITERATURE REVIEW

According to economist N. Astrakhansev, "Today, auditing services are an indispensable element of the Russian market. This is explained by the fact that now private ownership is being formed, the process of its use and management is associated with a high level of risks. In the conditions of a market economy, economic activity is motivated by property interests, which creates the need for means of their protection, which can be provided effectively enough by the audit system. Audit services are aimed at protecting the property interests of economic entities by means of independent financial control, confirmation of the correctness of the financial report on economic activity and providing other similar services"[2].

In opinion economist A. Isayan's, it was concluded that the concepts of "audit service" and "audit activity" cannot be defined due to the fact that the audit service must meet the general characteristics of services, since the next concept, in addition to the provision of direct audit services, is listed in "On Audit Activity" provision of other services defined by law, as well as admission to the profession of auditor and permission to provide audit services: includes the fulfilment of certain procedures for obtaining the auditor's qualification certificate and joining the self-regulating organization of auditors"[3].

According to economist E. Chepurnov, "Also, the quality of audit services requires a high level of training of the personnel of the audit company, where the presence in the market of independent auditors makes audit services a high-value product, which allows the client to find the most suitable auditor." Thus, the quality of the audit becomes an object of internal regulation in auditing companies. In addition to the market, auditors and clients, the state and external users of information also place high demands on the quality of audit services, because it is precisely as a result of audits that tax violations are detected and measures are developed to reduce the negative impact of economic processes on specific economic entities as much as possible. Audit services are of particular importance in corporations where audit is considered a mandatory form of independent control, as well as a means of increasing the transparency of corporate financial and business structures"[4].

In opinion economist A. Marin's, "auditing activities, in a broad sense, include legal entities (auditing organizations, auditees), individual entrepreneurs (auditors, auditees), public organizations and state representative bodies, which are carried out personally in conducting the audit itself and providing accompanying services represents activities related to regulation and control of activities of auditors and audit organizations" [5].

Economist E. According to Anokhova, "The state policy on the regulation of audit activity has a certain impact on the market of audit services by determining its development vector. The effectiveness of the economic policy, to a large extent, depends on the rational combination of the level of participation of the state and professional communities in the regulation of audit activities. Due to the complexity of the macroeconomic processes in the development of the modern economy, the need to manage the professional aspects of the market subjects, the need to involve the intellectual and financial resources of the market participants in the management of the economy has arisen"[6].

According to economist D. S. Skobelkin, "Currently, audit companies are facing many serious problems in the field of audit regulation and development, and insufficient demand for audit services and lack of client's ability to pay are recognized as the main factors negatively affecting the activity of audit services market entities [7].

According to economist E. M. Gutsayt, "Of course, both audit organizations and individual auditors are organizationally separate and operationally independent. Here, it is also natural that the main product is of the same type: these are official audit conclusions, a written report of the auditor to the management of the audited economic entity, recommendations for eliminating deficiencies in accounting, etc. [8].

ANALYSIS AND RESULTS

Currently, local and international audit organizations, as well as audit organizations established in cooperation with foreign audit organizations, are operating in our country. As of January 1, 2022, 96 audit organizations and 651 auditors are operating in our country (Fig. 1).

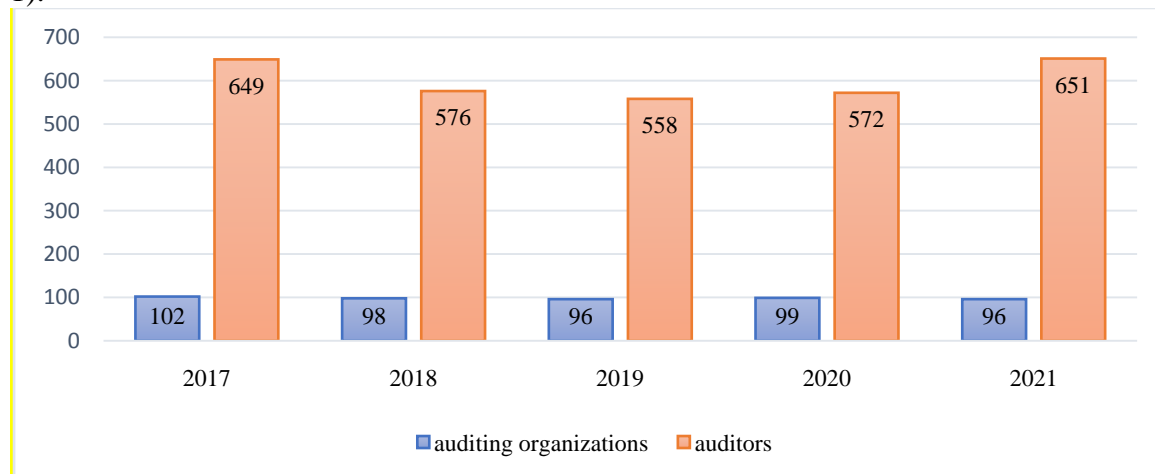


Figure 1. Number of audit organizations and auditors¹

As can be seen from the results of the analysis of the data in Figure 1, during the years 2017-2021, there was an increase-decrease trend of audit organizations with small differences. From the diagram, we can see that there were significant changes in the number of auditors operating during 2017-2021, especially in 2021 compared to 2020 increased to 79 auditors.

Table 1
Distribution of audit organizations and auditors operating in the Republic of Uzbekistan by territory²

Regions	Audit organizations					Auditors *				
	2017	2018	2019	2020	2021	2017	2018	2019	2020	2021
The Republic of Karakalpakstan	2	2	2	2	2	14	12	11	11	14
Andijan region	5	4	6	6	4	52	43	43	41	45
Bukhara region	2	1	1	1	1	16	15	12	12	12
Jizzakh region	1	1	1	1	1	14	12	11	12	11
Kashkadarya region	4	4	3	3	3	26	25	23	23	19
Navoi region	2	2	2	2	2	10	10	9	8	9
Namangan region	5	5	3	3	3	38	30	34	36	36
Samarkand region	4	4	4	4	4	31	31	27	26	30
Surkhandarya region	1	1	1	1	1	7	6	6	7	9
Sirdarya region	2	2	2	2	2	15	11	10	10	11
Tashkent region	2	2	1	1	1	40	37	33	37	38
Fergana region	7	7	7	7	6	57	49	43	43	52
Khorazm region	1	1	1	2	2	12	12	15	17	22
Tashkent city	64	62	62	64	64	317	283	281	289	343
Total	102	98	96	99	96	649	576	558	572	651

¹ Compiled by the author

² Compiled by the author

As can be seen from the data of Table 1, the changing trend in audit organizations continued during 2017-2021. If we compare only 2020 and 2021, we can see a decrease of 3 audit organizations. This was caused by the termination of the license issued by the Ministry of Finance to audit organizations due to the shortcomings in their audits. Also, in 2021, 651 auditors worked in our country. The largest number of audit activity subjects corresponds to Tashkent city (343), Fergana (52) and Andijan (45) regions. Navoi and Surkhandarya regions have the least (9) audit activity subjects. Also, 68 auditors from the subjects of general audit activity have international certification of accountants (CIPA, ACCA, CPA), auditors with more than 10 years of continuous auditor work experience amount to 130 people.

The analysis of audit organizations and the market of auditors shows that in recent years, the relevant authorities and public organizations have been paying special attention to improving the quality of audit work and audit efficiency of audit organizations.

In accordance with the Law "On Auditing Activities", audit organizations have the right to provide mandatory and initiative audits and other professional services specified in this legislation.

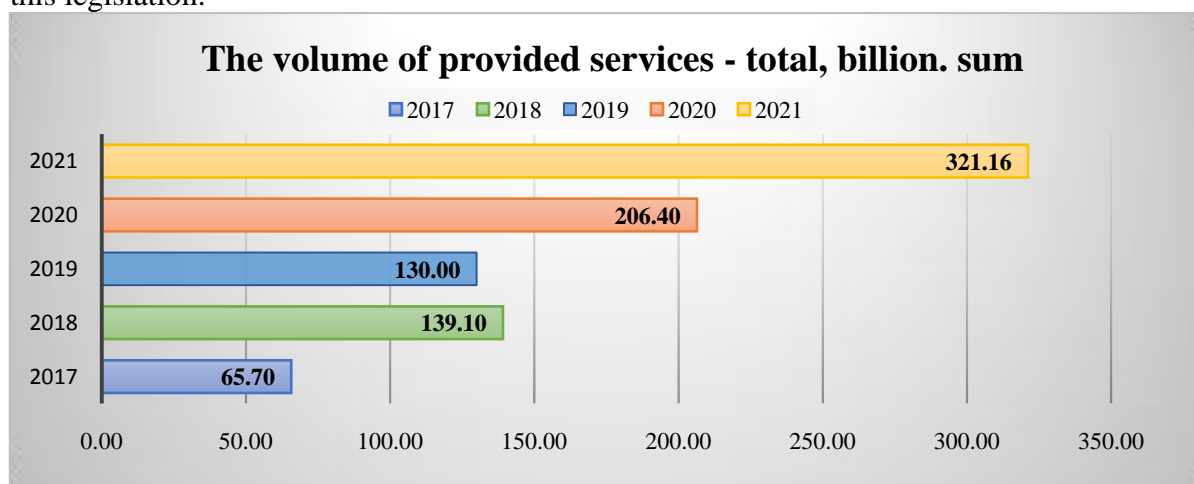



Figure 2. Dynamics of income of auditing organizations³

From the data in Figure 2, it can be seen that audit organizations spent 65.7 billion in 2017, 139.1 billion in 2018, 130.0 billion in 2019, and 206.4 billion in 2020. and 321.1 billion in 2021. services are provided in the amount of soums. Also, the distribution of the volume of services provided by audit organizations in the period of 2017-2021 according to various indicators is mentioned.

Audit inspections and similar services provided by audit organizations are part of expensive services in our country and in the world.

³ Compiled by the author

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Submitted: 27 Sep 2022, Revised: 09 Oct 2022, Accepted: 18 Nov 2022, Published: December 2022

Table 2.

Distribution of audit organizations according to various indicators of the volume of services provided⁴

Volume of services provided by auditing organizations, million sums	Share of the total number of audit organizations, %					Share of the total volume of provided services, %				
	2017	2018	2019	2020	2021	2017	2018	2019	2020	2021
less than 50,0	4,0	4,2	-	3	4,2	0,2	0,1	-	0,1	0,6
50,0 – 200,0	33,3	27,1	16,1	15,2	3,1	5,8	2,5	1,5	0,9	0,1
200,0 – 700,0	43,1	43,7	50,5	44,4	32,3	24,9	12,0	14,2	8,7	4,1
700,0 – 1000,0	4,9	8,3	14	15,2	16,7	6,6	4,7	8,9	6,1	3,9
1000,0 – 5000,0	14,7	16,7	19,4	17,1	34,4	62,5	80,7	75,4	18,6	20,7
higher than 5000,0	4,0	4,2	-	5,1	9,4	0,2	0,1	-	65,6	70,6

From the analysis data of Table 2, it can be seen that if we analyze the volume of services provided by audit organizations by prices, in 2021, the services of less than 50 million sums will cost 0.6 percent, from 50.0 million to 200.0 million - 0.1 percent, from 200.0 million to 700, 4.1% to 0 million, 3.9% to 700.0 million to 1 billion, 20.7% to 1 billion to 5 billion, and 70.6% to over 5 billion. As can be seen from the above figures, the share of the total number of audit organizations and the share of the total volume of services by various indicators of the volume of the provided services show a growing trend.


According to the laws in force in our country, banks, insurance organizations, investment funds and other large organizations are subject to mandatory audit. Also, a legal entity, its owner, participants and shareholders who have a share of at least five percent in the authorized fund (authorized capital), as well as supervisory or law enforcement bodies can be the customers of the initiative audit.

An audit at the initiative of supervisory or law enforcement bodies is conducted on the basis of a contract concluded between the audit organization and these bodies, and a fee is paid based on this contract. In this case, it is not allowed to repeatedly involve the same auditing organization to check the activities of the same economic entity on the same basis by the supervisory or law enforcement bodies.

The payment of the fee for the work related to conducting an audit audit is carried out at the expense of the person or body that initiated the audit.

The subject, terms and other conditions of conducting an audit audit in the initiative style are defined in the agreement on conducting an audit audit concluded between the customer of the audit audit and the audit organization.

⁴ Compiled by the author

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Table 3

Issued on mandatory audits distribution of audit conclusions

	Share of the total number of audit conclusions, %				
	2017	2018	2019	2020	2021
The audit findings are total.	100,0	100,0	100,0	100,0	100,0
Including conclusions on the results of mandatory audits	54,9	57,2	58,6	64,6	73,1
The share of conclusions in the total number of conclusions on mandatory audits:	100,0	100,0	100,0	100,0	100,0
Joint stock companies	27,7	30,6	27,1	22,6	15,4
Banks and other credit organizations	3,0	3,4	3,5	3,7	2,6
Insurance organizations	1,9	1,4	1,1	1,2	1,3
Investment funds and other funds that pool funds of legal entities and individuals and trustees of their investment assets	0,8	1,3	1,1	1,1	0,4
Charitable funds and other social funds whose sources are voluntary contributions of legal entities and individuals	12,1	11,0	9,7	6,2	5,1
Sources of funds are extra-budgetary funds, which are mandatory allocations made by legal entities and individuals, provided for by law.	2,6	1,3	4,0	3,7	1,1
Business entities and state unitary enterprises with a state-owned share in the charter fund	51,8	50,7	52,8	47,4	34,4
Stock and commodity exchanges	0,1	0,3	0,7	0,1	0,2
Conclusions on the results of proactive audits	45,1	42,8	41,4	35,4	26,9

According to Table 3, in 2019, 58.6 percent of the total conclusions issued by auditing organizations were conclusions on mandatory audits and 41.4 percent on initiative audits. If we consider the conclusions of the mandatory audit in 2019 as 100 percent, then 52.8 percent of them come from economic entities and state unitary enterprises with a state-owned share in the charter fund, 27.1 percent from joint-stock companies, and 9.7 percent from legal entities and individuals. charitable funds and other social funds with voluntary contributions.

An auditor's opinion is a document that contains the written opinion of the auditing organization on the reliability of the financial report and compliance with the requirements of the accounting legislation. The form and content of the auditor's report are determined by the standards of the auditor's activity.

Table 4

Distribution of given audit conclusions by types

Types of audit reports issued	Share of the total number of issued audit conclusions, %				
	2017	2018	2019 й	2020 й	2021 й
Audit findings issued - total	100	100	100	100	100
including:					
a positive opinion was expressed	95,1	93,7	92,4	89,4	85,3
a negative opinion is expressed	3,2	2,3	2,4	2,7	2,8
Comments are made	0,2	0,2	4,9	7,7	11,8
declined to comment	1,5	3,8	0,3	0,2	0,1

Table 4 shows the conclusions given by audit organizations as a result of audits in 2017-2021. In 2021, 85.3% of all conclusions were positive, 2.8% were negative, 11.8% were comments and 0.1% were rejected.

CONCLUSION

1. Improving related services provided by audit organizations, increasing the number of related services, including audits, contributes to the financial sustainability of audit organizations, as well as improving the provision of related services provided by audit

organizations to ensure the development of audit activities and financial stability of audit organizations.

2. The income of audit organizations operating in Uzbekistan for the last 6 years was studied, the growth trend between the years was analyzed and the relevant recommendations on increasing income and ensuring financial stability were developed.

3. The number of audit organizations and auditors in the market of audit services in Uzbekistan in 2017-2021 was analyzed and recommendations for their development were developed.

4. Through the analysis of the audit activities of developed countries, it is expedient to develop the activities of audit organizations of our country, to provide them with a wide range of opportunities, to increase the content of related services.

5. Licensing of auditing activities is carried out by the Ministry of Finance. In our opinion, it will save valuable time and improve the performance of audit organizations by improving and simplifying the licensing process, reducing the set of documents, partial digitization of some stages of registration and reducing the time to make a decision to renew the license.

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