

Central Asian Problems of Modern Science and Education

Volume 2020
Issue 2 *Central Asian Problems of Modern
Science and Education 2020-2*

Article 5

4-25-2020

DEVELOPMENT AND IMPLEMENTATION OF INTERNAL STANDARDS BY AUDIT ORGANIZATIONS

A.Kh. Sattorov

PhD student of Tashkent Institute of Finance, alisher4090@gmail.com

Follow this and additional works at: <https://uzjournals.edu.uz/capmse>



Part of the [Business Commons](#)

Recommended Citation

Sattorov, A.Kh. (2020) "DEVELOPMENT AND IMPLEMENTATION OF INTERNAL STANDARDS BY AUDIT ORGANIZATIONS," *Central Asian Problems of Modern Science and Education*: Vol. 2020 : Iss. 2 , Article 5. Available at: <https://uzjournals.edu.uz/capmse/vol2020/iss2/5>

This Article is brought to you for free and open access by 2030 Uzbekistan Research Online. It has been accepted for inclusion in Central Asian Problems of Modern Science and Education by an authorized editor of 2030 Uzbekistan Research Online. For more information, please contact sh.erkinov@edu.uz.



UDK:336.27

DEVELOPMENT AND IMPLEMENTATION OF INTERNAL STANDARDS BY AUDIT ORGANIZATIONS

**Sattorov Alisher Khasan's son,
PhD student of Tashkent Institute of Finance
Email: alisher4090@gmail.com**

Annotatsiya. Ушбу мақолада аудиторлик ташкилотларининг ички стандартларининг ахамияти, уларнинг тузилиши, ички стандартларга қўйиладиган талаблар, уларнинг афзалликлари, халқаро нормалар асосида гурухланиши ёритилиб берилган.

Kalit so'zlar. аудит, аудиторлик ташкилоти, ички стандартлар, халқаро стандартлар, аудиторлик текшируви

Annotation. This article covers the nature of internal standards of audit organizations, their structure, requirements for internal standards, their advantages, their grouping on the basis of international norms.

Key words. audit, auditing organization, internal standards, international standards, auditor check

Аннотация: В данной статье рассматривается сущность внутренних стандартов аудиторских организаций, их структура, требования к внутренним стандартам, их преимущества, их группировка на основе международных норм.

Ключевые слова. аудит, аудиторская организация, внутренние стандарты, международные стандарты, аудиторская проверка

Introduction: In accordance with the requirements of current legislation, each audit organization must have a set of internal standards developed on the basis of national auditing standards.

The importance and practical significance of intra-firm standards for audit organizations is confirmed by the fact that in the special literature and scientific research issues of intra-firm standardization are given great attention[1].

Intercompany standards of an audit organization are documents that detail and regulate common requirements for the implementation and execution of an audit,

adopted and approved by an audit organization in order to ensure the effectiveness of practical work and its adequacy to the requirements of the rules (standards) of audit activity.

Professor N.S. Sanaev writes: Auditing is an entrepreneurial activity aimed at conducting an audit of an individual or legal entity with the legal status of an auditor and providing consulting services [2].

According to the definition of M. M. Tulakhodjaeva: An audit is a review of an entity's financial statements or related financial information by independent qualified specialists in order to make conclusions about the level of compliance of this report or information with the law and other regulations [3].

The audit organization should form a package of internal standards reflecting its own approach to the audits and conclusions drawn up, based on the generally established principles of organizing and conducting the audit.

The presence of a system of internal standards and its methodological support is a necessary indicator of the professionalism of the audit organization.

Literature review: According to V.I. Podolsky - “Internal standards of audit organizations and individual auditors are documents detailing and regulating the uniform requirements for the organization of work of audit organizations, the implementation and execution of audit services”[4].

According to Sirotenko E.A. - “Under the internal standards of the audit organization are understood documents that detail and regulate the uniform requirements for the implementation and execution of the audit, adopted and approved by the audit organization in order to ensure the effectiveness of practical work and its adequacy to the requirements of the rules (standards) of audit activity”[5].

According to Sheremet A.D., Suits V.P. - Intra-company standards are a set of intra-company instructions and manuals of a significant volume, which are constantly being adjusted in order to improve and due to changes in the environment for their application[6].

According to Solonchev C. - Intercompany (technological) standards– a certain set of regulations developed and approved by an audit firm that describes the entire

process of conducting an audit and providing audit-related services, starting from the moment the assignment is received and ending with the preparation of reporting documents (audit report, report on the results of the audit and etc.) provided to the management of the audited entity and representatives of its owner[7].

According to B.T. Zharylgassov - Internal standards of an audit organization are documents detailing and regulating uniform requirements for the implementation and execution of audits, adopted and approved by the audit organization in order to ensure the effectiveness of practical work and its adequacy to the requirements of the rules (standards) of audit activity and internal standards developed in accredited audit associations.[8]

Research methodology: In the scientific paper, analysis and synthesis, systematic approach, abstract-logical thinking, economic analysis, grouping, expert evaluation and comparison methods were used.

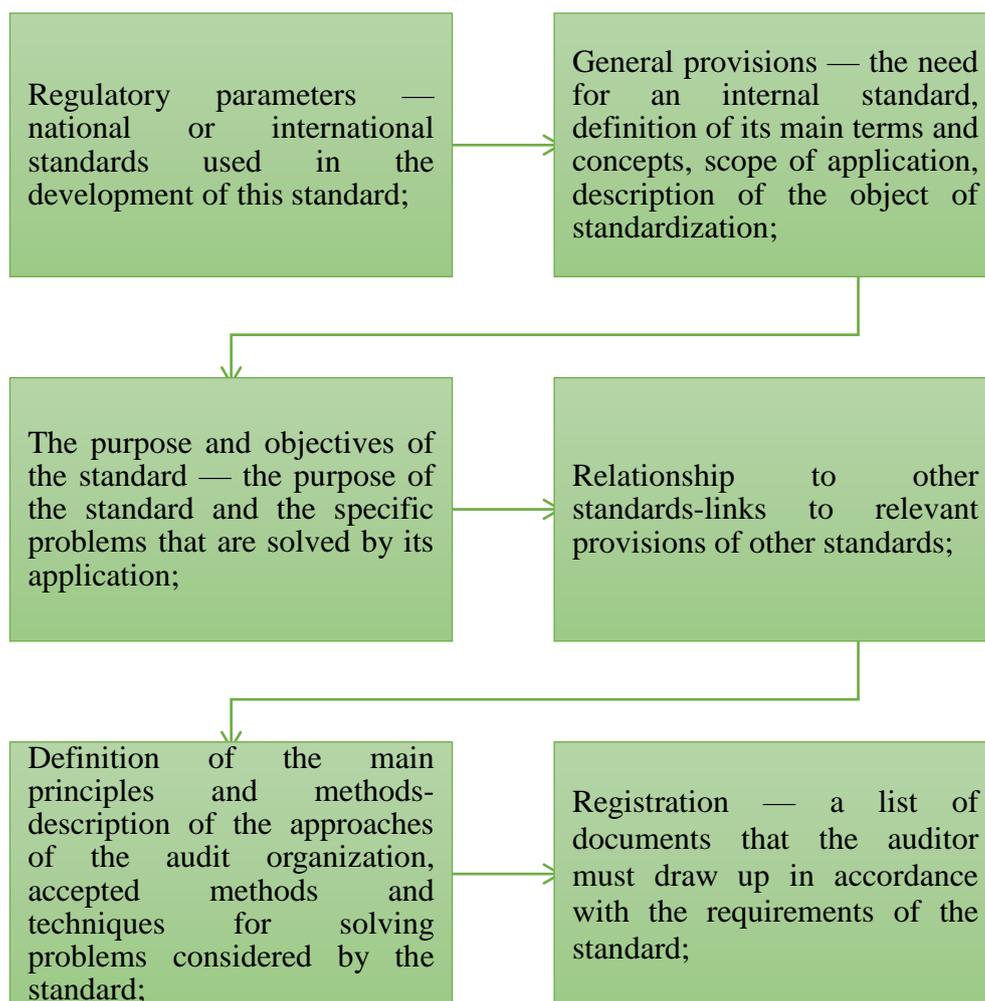
Analysis and results: Today, audit organizations occupy an incomparable place in the economy of our country. According to statistics, in the following years, changes can be observed in the dynamics of the number of audit organizations in Uzbekistan.



1-picture. Number of audit organizations and auditors[9]

Internal standards regulate the activities of auditors within this audit organization and provide additional conditions for resolving real and potential conflicts between employees and the administration of the audit organization, between the audit organization and regulatory authorities, between the audit organization and the economic entity, between the audit organization and organizations that protect the public interest, as well as between the auditors themselves.

The requirements of internal standards of audit organizations regulate the conduct of audit activities in accordance with the basic principles of audit and generally recognized ethical standards.



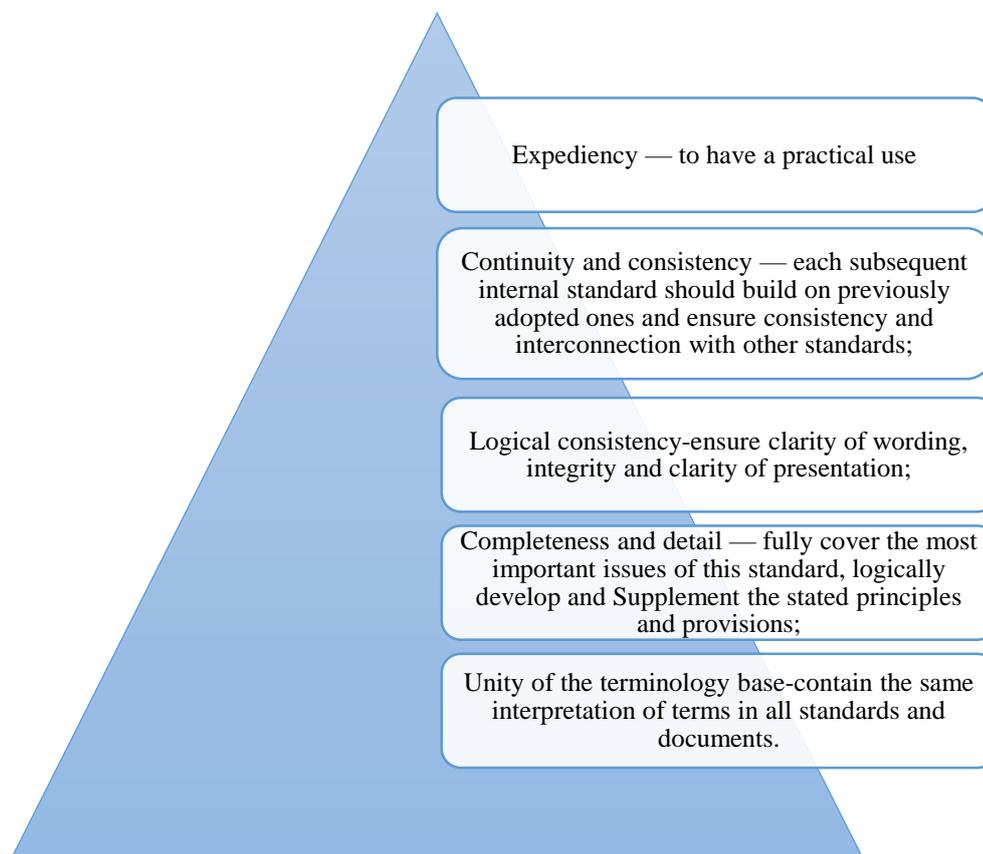
2-picture. Structure-internal standard of an audit organization¹

Internal standards contain common basic requirements for the audit procedure, quality and reliability of the audit and create an additional level of assurance of the audit results when they are met. They define the overall approach of the audit organization to conducting an audit, regardless of the conditions under which the audit is conducted.

Inter-company standards are individual, authored in each audit firm, and their content is secret information. In-house standards are a set of in-house instructions and guidelines that are constantly updated for improvement.

¹ Compiled by the author

The developed system of internal standards allows to regulate audit activity taking into account all trends of its development and experience in the international audit community, taking into account the specifics of accounting and accounting (financial) reporting, legal regulation of economic activity and audit of a particular country, and the audit organization's own approach to audits and conclusions.



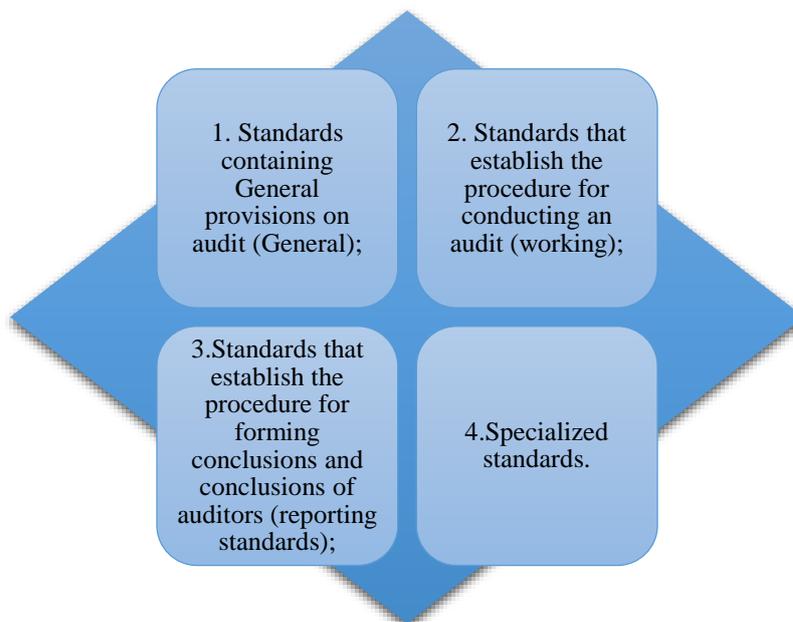
3-picture. Requirements to internal standards²

The development of internal standards should be entrusted to highly professional employees (lead auditors) who are well versed in both international and national standards of auditing, and in the audit technology itself, with excellent knowledge of the theory and practice of accounting, audit, analysis, Finance and law. Internal standards are approved by the order of the head of the audit organization and take effect from the moment of approval. All employees of the audit organization should be informed about the approval of standards in a timely manner.

In the preparation of internal company auditing standards appropriate to comply with the following conditions: the mutual desire of all parties concerned to reach

² Compiled by the author

agreement taking into account the views of each party on quality control of audit services, applicability, compatibility and interchangeability; the need to create internal standards should be evaluated from the point of view of their applicability and practicality; security standards clear wording and clarity of presentation; should be unity terminology database, i.e. all internal standards should contain a common interpretation of terms; standards should be updated periodically and in a timely manner.



4-picture. Grouping of internal standards of audit organizations on the basis of international norms ³

Internal standards containing General provisions on audit are intended to regulate the relationship between the audit organization and the audited economic entity, the relationship between auditors, as well as between employees and the administration of the audit organization in accordance with the basic principles of audit and ethical standards.

Internal standards that establish the procedure for conducting an audit (working standards) include specific rules, methods of conducting an audit and are developments on the implementation of the requirements of the rules (standards) of audit activity.

³ Compiled by the author

Internal standards that establish the procedure for forming conclusions and conclusions of auditors contain internal requirements of the audit organization for the content and formation of conclusions and drawing conclusions based on the results of the audit.

It is important that the internal standards used in the practice reflect the audit firm's own approach to audits and preparation of reports based on the generally established principles of organization and conduct of audits [10].

Specialized internal standards include standards in the field of audit methodology for various activities of economic entities, as well as for various audit purposes.

The development of internal standards is based on the principles of professional audit ethics, such as independence, professional judgment and skepticism, materiality, and reasonable assurance.

Internal standards must be approved by the order of the head of the audit organization, and in cases stipulated by the constituent documents of the audit organization-by the Board of founders or other authorized body. Internal standards may provide for the appointment of appropriate officials responsible for compliance with the provisions of internal standards.

Conclusion/recommendations: In our opinion, the purpose of developing internal standards is to improve the quality and reliability of audit services, the effectiveness of the results obtained, reduce the complexity of the audit work, reduce the risk of auditing and create additional guarantees for users of accounting information. Also, the internal standards of the audit organization allow the use of new auditing technologies and techniques in the practice of auditing to combine the principles and approaches of the audit organization.

The lack of internal standards raises the question of the compliance of the audit services provided by the organization with the general established standards, its management, the level of professionalism of the leading auditors.

We believe that the development of internal standards in auditing organizations will improve the quality and reliability of the work of audit services, the effectiveness



of the results obtained, reduce the complexity of the audit work, reduce the risk of auditing and create additional guarantees for users of accounting information.

References:

[1]. Sivtsova, E. V. Improvement of external and internal audit quality control: author / dis. ..Cand. Econ. science.: 08.00.12 / Elena V. Sivtsova. - M., 2011. - 24 p.

[2]. Sanaev N. Narziev R. Audit. T:"Илларк" 2002 y

[3]. To'laxo'jaeva M. "Audit of the financial condition of the enterprise", "The world of economics and law", 1996. 193 b

[4]. Podolsky V. I. Audit: Textbook / ed. By V. I. Podolsky. - Moscow: Ekonomist, 2004. - 494 p.

[5]. Sirotenko E. A. Internal audit standards: studies'. stipend. - 2nd ed., ISPR. - M.: KNORUS, 2006. - 224 p.

[6]. Sheremet A.D., Suits V. p. Audit: Textbook-5th ed., reprint. and add. - M.: INFRA-M, 2006. - 448 p. – (Higher education).

[7]. Soloncheva S. V. Methodical bases of development of internal standards of audit activity: dissertation of candidate of Economics: 08.00.12.

[8]. Zharylgasova B.T. General recommendations for the development of internal standards for auditing // Audit statements. - 2007. - No. 12.

[9]. www.mf.uz/uz/component/k2/item/2170-auditorskaya-deyatelnost.html

[10]. Azar, M. A. Theory and methodology of quality assurance audit: dis. .d-RA. Econ. Sciences : 08.00.12 /Azar Maya Anatolyev. Yoshkar-Ola, 2009, 452 p.