

IMPROVEMENT OF ACTIVITY OF AUDITORS IN OUR REPUBLIC BASED ON LEGAL AND INTERNATIONAL STANDARDS.

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Annotation:

In this article, it is written that audit organizations should have a license to perform audit activities, that they should know their rights when conducting an audit, that audit organizations cannot be organized by higher state bodies that inspect them, and the powers given to them.

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Audit organizations are legal entities that have a license to perform audit activities. An auditor must be aware of his rights when conducting an audit. The audit organization has the right to perform audit activities from the date of entering information about itself into the register of audit organizations. The audit organization is independent in carrying out its activities. The audit organization cannot be established by ministries, state committees, agencies and other state and economic management bodies.

Auditing organizations are prohibited from engaging in other types of business activities, except those provided for in Articles 32 and 33 of this Law.

Officials of state power and management bodies, as well as other persons prohibited from engaging in business activities in accordance with the law, cannot be the founders of an audit organization.

An audit organization may be established and perform its activities in any organizational and legal form provided for by the law, except for a joint-stock company, provided that it complies with the following mandatory conditions:

- the minimum number of auditors for which the audit organization is the main place of work shall consist of at least four auditors in the staff;
- the authorized fund (authorized capital) of the auditing organization is formed from the property directly used by the auditing organization in the implementation of its activities, including funds;
- the share of auditors (auditors) in the authorized fund (authorized capital) must be at least fifty-one percent (except for cases where the audit organization is a branch of a foreign audit organization or a subsidiary company);
- an audit organization should be headed only by an auditor for whom this audit organization is the main place of work.

The new law of the Republic of Uzbekistan "On Auditing Activity" is at the first (top) level of the system of normative regulation of auditing activities. This law was adopted by the Legislative Chamber of the Republic of Uzbekistan on November 10, 2020, and approved by the Senate on February 25,

2021. Government decisions adopted in order to implement the Law of the Republic of Uzbekistan "On Auditing" can be included in the first step of this system. In particular, on September 22, 2000, the Resolution of the Cabinet of Ministers of the Republic of Uzbekistan No. 365 "On improving audit activity and increasing the importance of audit inspections" was adopted (Appendix 3).

Also, in accordance with this decision, "Regulation on the procedure for considering audit conclusions by tax authorities and other control bodies", "Procedure for collecting fines from business entities for failure to conduct a mandatory audit" Regulation" and "Regulation on licensing audit organizations for auditing activities" were approved.

The financial and economic activities of micro-firms whose accounting and reporting are carried out by an audit organization are checked by tax authorities and other control bodies with the involvement of the relevant audit organization. In this case, the auditing organization is responsible for the correctness of the financial report.

In accordance with paragraph 3 of the decision, the Ministry of Finance of the Republic of Uzbekistan was approved as a state body specially authorized to license audit activity and was assigned the following functions:

- developing and approving regulatory documents regulating audit activity, including national standards of audit activity within the scope of their powers;
- monitoring compliance with license requirements and conditions by audit organizations;
- approving training programs and the procedure for passing qualification exams to obtain auditors' qualification certificate in agreement with the public association of auditors;
- suspending, terminating and canceling the validity of the license to perform auditing activities, auditors' qualification certificate;
- keeping the register of auditors with a qualification certificate and accounting of audit organizations that have a license to perform audit activities.

The minimum amount of charter capital of auditing organizations is set at least 1200 times the minimum monthly salary. In this case, it is necessary for the newly established audit organizations to form their capital stipulated in the founding documents within one year from the moment of state registration. As an independent business entity, the auditing organization has the following rights in accordance with Article 28 of the Law "On Auditing Activities":

- to carry out a preliminary review of the founding documents of the economic entity, as well as accounting and financial reporting documents, in order to make a decision on conducting an audit;
- to independently determine the forms and methods of auditing;
- during the audit, to receive all the documents related to the financial and economic activities of the business entity, as well as to verify the actual existence of any property and the actual status of any obligations taken into account in these documents;
- to participate in the contests of the audit organization announced by the economic entity, as well as to get acquainted with the terms of the contest and submit their proposals;
- to receive oral and written explanations on the issues arising during the audit from the persons who perform management tasks or accounting and financial management tasks of the economic entity, from other materially responsible employees, from the audit committee, as well as necessary for the audit to receive additional information;
- to obtain written confirmations of information from third parties;
- to refuse to conduct an audit if the information necessary for drawing up an audit opinion is not

provided by the economic entity;

- to attract other specialists as experts to participate in the audit;
- to provide similar services to the economic entity during the period covered by the audit, including the establishment, restoration, maintenance and preparation of financial statements, including preparation of financial statements according to international standards of financial reporting, with the exception of performing the tasks of the audit commission (auditor), trustee of investment assets;
- has the right to join associations and other non-governmental non-commercial organizations in order to express and protect their interests.

The audit organization may have other rights in accordance with the law and the agreement on the provision of audit services.

The audit organization may have other rights in accordance with the legislation. In order to make a decision on conducting an audit, the business entity gets acquainted with the founding documents, as well as accounting and financial reporting documents. Acquaintance with the founding documents of the business entity, that is, the charter and the founding agreement, gives the auditor a clear idea about the legal status, type of activity, subject and founders of the future client. In this case, the auditor should pay attention to the main charter activity of the enterprise, when and in which state body the charter was registered, and whether it was approved by a notary office. Also, in accordance with the founding agreement, they will get to know who the founders are, their legal status, their participation (share) in the authorized capital, their rights and obligations regarding financial and economic activities. Acquaintance with accounting and financial reporting documents for the auditor, which form of accounting (memorial-order, journal-order, table-automated, etc.) is used in the enterprise, the size and structure of the accounting apparatus, the level of accounting and reporting. It allows to get an initial idea about financial security, general financial situation, etc.

Obtaining the full volume of documents related to the financial and economic activities of the business entity being audited, as well as verifying the actual existence of any property and the actual status of any liabilities accounted for in these documents. . These rights established by the law allow obtaining documents related to the financial and economic activities of the client-enterprise in full without any hindrance. Also, the auditor has the right to verify the real existence of the assets and the state of liabilities reflected in these documents by appropriate methods (inventory, cross-examination, etc.). The client-enterprise must provide all the documents required by the auditor in full, create the necessary conditions for checking the availability of assets and the state of liabilities.

To receive verbal and written explanations from the materially responsible persons of the business entity on the issues that arose during the audit and to receive additional information necessary for the audit. The auditor receives a written and oral explanation of the errors and deficiencies identified during the inspection, in particular, the deficiencies and their causes, as well as materially responsible persons. Also, before starting the audit, he receives a receipt from the financially responsible persons (cashier, storekeeper, etc.) in the prescribed manner. At the same time, if necessary, the auditor has the right to receive information from the business entity, confirmed in writing by third parties. In cases where all the information is not provided by the business entity in order to make a reliable audit opinion, the auditor may refuse to conduct an audit and formalize this situation in accordance with the "Auditor's opinion on financial statements" No. 700. Apart from these, the audit organization has the right to involve other auditors and experts to participate in the audit based on the necessary procedure. "Using other auditors' work results" - according to KAS No. 600.

Obligations of auditing organizations are defined in Article 29 of the Law "On Auditing Activities". It is noted that the Audit Organization:

- to comply with the requirements of this Law, standards of auditor activity and Code of Ethics of Professional Accountant;
- compliance with the requirements of the law on combating money laundering, terrorist financing and the financing of the proliferation of weapons of mass destruction;
- ensure that auditors (auditors) have a share in the authorized fund (authorized capital) of at least fifty-one percent (except for the cases of establishing an audit organization - a branch or a subsidiary company of a foreign audit organization);
- ensure that there are at least four auditors whose main place of work is an audit organization in the state;
- ensuring that auditors undergo training courses once a year;
- to carry out auditing activities only if the auditing organization has a liability insurance policy;
- ensure independence during the provision of audit services;
- at the request of the customer of audit services, to show the certificate of the auditor (auditors), the insurance policy of the liability of the audit organization;
- to provide information on the requirements of international audit standards for conducting an audit, on the norms of legislative documents that are the basis for the auditor's objections, at the request of the business entity;
- ensuring the confidentiality of information received during the provision of audit services;
- formalize the results of the audit in accordance with the standards of audit activity and keep copies of the audit conclusions in the audit organization for at least five years;
- posting information about the conducted mandatory audits on their official websites or on the official websites of republican public associations of auditors, indicating the identification data of the economic entity and the audit report;
- providing information for the ranking of audit organizations;
- to inform the management of the business entity and the persons responsible for corporate management, the audit committee in writing about the detected violations of the accounting legislation or the facts that clearly confirm corruption violations;
- establishment of the internal control system of auditors' work quality and compliance with it;
- does not interfere with the external control of the quality of the work of the auditing organization;
- to inform the authorized state body in written or electronic form within five days about the change of his postal address and e-mail address, about the change of the head of the audit organization and (or) about the change in the composition of auditors;
- every year by January 20, it is necessary to submit the information about the auditor's activities to the authorized state body in written or electronic form.
- The audit organization may have other obligations in accordance with the law and the agreement on the provision of audit services.

Also, the responsibility of the audit organization arises due to non-fulfillment of a bilateral contract in accordance with Article 336 of the Civil Code of the Republic of Uzbekistan. It states: if one of the parties to a bilateral contract is unable to fulfill it due to circumstances for which he is responsible, the other party, unless otherwise provided by law or the contract, has the right to withdraw from the contract and due to non-performance of the contract has the right to recover damages. A license to perform auditing activities may be revoked by the state body that issued it in the following cases:

- when the audit organization applies for license cancellation;
- when the fact that the license was obtained using forged documents is established;
- when the decision of a specially authorized state body on granting a license is found to be illegal;
- if the audit organization has not submitted a document confirming the payment of the state duty for the license issue to the specially authorized state body within three months from the date of the notification of the decision on the issuance of the license or has not signed the license agreement.

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