



CHARACTERISTICS OF USING ANALYTICAL OPERATIONS IN AUDIT

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Abstract.In this state, the actual situation of the application of the analytical procedure and audit practice in Uzbekistan is described, and the problems of the application and audit are also presented, as well as the scientific and practical recommendations and the analytical procedure of the application of the supervisory procedure.

Key words.Audit procedures, analytical procedures, financial analysis, financial sustainability, mathematical modeling, audit evidence, accountability and financial reporting, cross-sectional comparison, numerical and percentage comparison, coefficient analysis, statistical analysis, factor analysis, mathematical modeling

INTRODUCTION

In foreign countries, in the context of globalization of the economy, many scientific studies are being carried out aimed at organizing audits in a specified period and order based on international standards. As a result of the research carried out in the international auditing practice, the procedures for the organization of the audit, the evaluation of the sufficiency of the evidence in the formation of the reliable auditor's opinion, and the uniform methodological arrangement for the presentation of the audit results, the issues of forming the auditor's report and conclusion in accordance with the requirements of the International Auditing Standards (IAS) scientifically based. As a result of these studies, the generally accepted principles of the United States (GAAP), international standards of financial reporting and IAS regulations were achieved, and the standard forms of the auditor's report and conclusion, as well as the method of conducting the audit, were recommended. Also, despite the positive results of the reforms implemented in the auditing practice of Uzbekistan, "...national standards of auditing activities do not fully correspond to the generally recognized international auditing standards, which does not provide the formation of the ability to understand the truthfulness of the financial reports of local enterprises in foreign investors...". [1]



It should be noted that in today's auditing practice of Uzbekistan, the issues of applying effective methods and analytical procedures in conducting audits in accordance with international standards have not been comprehensively studied, which calls for deep scientific research in this regard.

The actions used by the auditing organization in confirming the reliability of the financial statements of economic entities are of great importance. Analytical actions are widely used as the most effective audit actions to ensure the adequacy and appropriateness of audit evidence and to improve the quality of audit conclusions. Conducting analytical procedures allows the auditor to gather reliable evidence in a short period of time through reliable methods and, moreover, requires less cost than other methods used in the audit. Also, the use of analytical operations serves to reduce the time of obtaining and processing information for making management decisions and forming a professional audit opinion.

Also, the fact that issues such as the use of advanced foreign experience and software tools in collecting audit evidence, the use of the most effective methods of collecting audit evidence based on international standards, have not been comprehensively studied in detail, today requires conducting in-depth scientific research on improving the process of applying analytical procedures in inspections.

LITERATURE REVIEW

International auditing standard No. 520 "Analytical Procedures" and National Standard of Auditing Activity No. 13 "Analytical Procedures" are the main regulatory documents regulating the use of analytical procedures in audits. The application of analytical procedures is considered and implemented in the framework of audit activity in the audit standards mentioned above and other regulatory legal documents related to audit. In particular, the international audit standard No. 520 entitled "analytical procedures" states that "analytical procedures consist of evaluating financial information by studying the relationships between financial and non-financial information. Analytical procedures include the analysis of significant trends and coefficients, as well as the study of correlations and outliers if they do not match the data elsewhere or differ from predicted values" [2].

operations" in regulatory and legal documents includes the content of the analysis of interactions between the transactions carried out in the audited entity, in particular, the compatibility of financial reporting forms and other primary and collective documents.

Many foreign economists have conducted scientific research on creating and improving the theoretical and methodological basis of the use of analytical procedures in audits. There are different approaches to the concept of "analytical operations" by economists in the scientific literature. R.P. from foreign scientists. Bulyga and M.V. Melnik say that "analytical operations are a method of organizing and conducting an audit based on the methods of comparison, analysis and synthesis, as well as special methods of economic analysis and the use of special methods that assume the existence of causal relationships between the analyzed indicators" [3].



Another foreign economist A.A. Mulman researched "analytical operations as a method of evaluating possible relationships between financial and non-financial indicators" [4].

According to Uzbek economist A.Z. Avlokhlov, "analytical operations include researching important financial and economic indicators of the audited economic entity, assessing and analyzing data collected by the auditor in order to identify economic transactions incorrectly reflected in accounting, as well as errors is the variety of audit actions" [5].

Economist M.E. Gracheva in her research "analytical operations are used taking into account the analysis of trends and coefficients that are important in assessing the financial status of the entity, including the study of correlations and deviations if they are inconsistent with other relevant information or differ from standard values " states that [6].

Scientists Sh. Tojiboeva and S. Omonov state that "analytical actions are the actions used to improve the quality of the audit results of financial and other related reports in the audited economic entities" [7].

Another Russian scientist J.A. And Kevorkova considered "analytical operations as a method of internal audit" [8].

Summarizing the above-mentioned scientific definitions and interpretations of the content of analytical operations, it should be noted that the authors used analytical operations to solve various goals and tasks. Also, although general views on the topic are presented in the above studies, the issue of revealing the essence of analytical actions and collecting them in auditing practice has not been researched as a separate object of scientific research and as a whole system. This situation requires complex scientific research on this topic.

In our opinion, we consider it appropriate to explain the content of analytical actions as follows. Analytical operations in auditing are a set of analysis and comparison methods used to determine inconsistencies between the items of financial reporting forms and primary documents, as well as the compliance of the activity of the audited entity with the norms of current regulatory and legal documents. The content of analytical operations will be further improved in the process of its in-depth research and wide application in practice, and its essence will be clarified.

Analysis and results. According to advanced foreign experience in auditing activities and the requirements of international standards, the most optimal way to ensure the short-term and high-quality implementation of audits is the large-scale effective use of analytical procedures in these audits.

The type of analytical operations is determined by the auditors depending on the purpose of conducting them, the possibility of execution and the type of activity of the economic entity. In our opinion, it is necessary to determine the quantitative and qualitative indicators of



analytical operations in order to assess the extent to which the purpose of using analytical operations has been achieved. In our opinion, it is possible to include the results of the preliminary audit logical analysis of internal and external data on the activity of the subject being audited in the quality indicators of analytical operations . The main disadvantage of such actions is the high level of subjectivity of the assessment, that is, the results depend on the qualifications and experience of the auditor. Therefore, quantitative analytical procedures based on a formal approach to their use in investigations it is recommended to be implemented together with

On the other hand, an example of simple quantitative analytical operations is the analysis of the financial activity of the subject under investigation based on simple coefficients. Advanced operations include trend analysis, variance analysis, regression analysis, and modeling . The advantage of such quantitative analytical procedures is that the results are highly accurate and objective .However, their application is labor -intensive , time -consuming , and expensive, and so are inspections data from such analytical operations are usually rarely used . However , in the current auditing practice , large amounts of financial indicators are not included multi-functional economic analysis the widespread use of analytical programs has made the performance of analytical operations based on quantitative indicators a requirement of the era .

The choice of analytical actions to be performed during audits is determined independently by the auditor based on the purpose of their implementation. In today's world auditing practice, the following basic analysis methods are widely used in the performance of analytical operations:

- Numerical and percentage comparison ;
- Coefficient analysis ;
- Statistical analysis based on k methods ;
- Correlated factor analysis ;
- Mathematical (econometric) modeling and others .

In our opinion, in accordance with international audit standards and advanced foreign experience, we consider it appropriate to carry out analytical operations in a sequence consisting of the following 4 stages (Table 1):



Table 1

The sequence of performing analytical actions in the audit

No	The name of the action to be performed	Content of analytical operations
1	Determining the purpose of analytical operations	<ol style="list-style-type: none"> 1. Determining the presence or absence of illegal or misrepresented transactions in economic activity; 2. To study the compliance of the activities of the economic entity with the requirements of the current regulatory and legal documents; 3. To determine the facts of financial reporting violations ; 4. Increasing the number of planned audit actions ; 5. Taking a test (questionnaire, questionnaire) in order to get answers to the questions that have arisen .
2	Select the type of analysis	<ol style="list-style-type: none"> 1. Comparison of financial reporting indicators of the economic entity with its planned indicators; 2. Comparison of the actual indicators of the financial report with the forecast indicators set by the auditing organization; 3. Comparison of transactions carried out in the business entity with the requirements of regulatory documents developed by the state or authorized body or internal regulatory documents of the business entity; 4. Comparison of financial reporting indicators with other non-financial indicators that are not part of financial reporting; 5. Comparison of financial reporting indicators with industry averages ; 6. Analysis of changes in financial reporting indicators over time and relative ratios related to them.
		<ol style="list-style-type: none"> 1. Evaluation of the planning methodology (adherence to the accounting policy) used by the economic entity; 2. Assessing the compliance of the business plan (estimate) indicators of the subject under review with the financial indicators of the reporting period or the change in the profit of the subject: 3. Analysis of relative indicators for the current period; 4. To carry out the analysis of the change of indicators on the activity of the economic entity in different periods; 5. Comparison of changes of several types of relative indicators ; 6. Analysis of the state of formation of debtor and creditor obligations of the economic entity, the reasons for its change and ways to reduce it; 7. Reconciliation of balances in accounting accounts with which the business entity is related;



3	Performing actions	<ol style="list-style-type: none">8. Based on the requirements of the decision of the Cabinet of Ministers No. 207 of July 28, 2015, the evaluation of the efficiency of the business entity (identification of SMK and SYK and analysis of the calculation of their implementation);9. Assessment of the continuity of the economic entity's activity;10. Checking the accuracy and truthfulness of the data on the transactions carried out in the economic entity in the financial statements or the reliability of the indicators;11. Assessing the compatibility of the indicators of the audited entity's financial report with statistical reports and data of other external entities (third parties);12. Study whether the unexpected profit is not shown as income in the financial statements of the economic entity;13. In the letter of explanations and comments to the financial report of the business entity, the content of the information describing the unexpected circumstances in the activity of the entity under investigation, their impact on the future results, the evaluation of the financial impact or the impossibility of conducting such an evaluation are disclosed;14. Intercomparison of accounting balance items and assessment of significant changes in them;15. Intercomparison of items of financial reporting forms and analysis of the reasons for different changes;16. Assessment of the consequences of unexpected situations that occurred in the activities of the economic entity or their impact on the financial results of the audited entity;17. To study the presence of extraordinary losses in the financial statements of the economic entity and whether they are fully disclosed as a liability in the financial statements.
4	Analysis of performed actions	<ol style="list-style-type: none">1. Expressing the shortcomings identified as a result of the analytical operations in money and evaluating their impact on the financial results of the audited entity;2. Analyzing the reasons for the appearance of deficiencies identified as a result of the analytical actions;3. Assessment of the impact of the performed analytical operations on the level of significance and audit risk;4. Comparison of the indicators of the alternative balance sheet prepared by the auditors and the official balance sheet of the entity and receiving explanations from the responsible accountants of the entity regarding the identified differences.

In accordance with the procedure presented in the above table, the results of the analytical operations performed at all stages of the audit are formalized in the interim and general audit reports and in the written report presented to the audited entity's management in the manner



specified in the audit standards . It should be noted that the effectiveness of using analytical procedures in audits directly depends on the knowledge, skills of auditors and the extent to which advanced automated programs are used in the audit process. In order to substantiate the above-mentioned procedure in practical terms and to clarify the above-mentioned points, we will consider below as an example the analytical actions performed during the audit of fixed assets (Table 2).

Table 2

The sequence of performing analytical actions in the audit of fixed assets

Steps	The content of analytical actions to be performed
1	<p>Determining the purpose of analytical operations</p> <ol style="list-style-type: none"> 1. Determining the presence or absence of illegal or misrepresented transactions on fixed assets; 2. To study the compliance of the transactions carried out on fixed assets in the economic entity with the requirements of the current regulatory legal documents; <p>Determining the facts of violations of financial reporting on fixed assets ;</p> <p>Conducting a test (questionnaire, questionnaire) in order to assess the state of use of basic tools .</p>
2	<p>Select the type of analysis</p> <ol style="list-style-type: none"> 1. Comparison of financial reporting indicators for fixed assets with its planned indicators; 2. Comparison of financial reporting indicators for fixed assets with forecast indicators set by the auditing organization; 3. Comparison of transactions carried out on fixed assets with the requirements of regulatory documents developed by the state or authorized body or internal regulatory documents of the economic entity; 4. Comparison of financial reporting indicators for fixed assets with other non-financial indicators not included in financial reporting; 5. Comparison of the indicators on the use of fixed assets with the average data of the activity network of the subject under investigation; 6. Determination of financial coefficients (indicators) describing the state of use of fixed assets and analysis of factors affecting them.
3	<p>Performing actions</p> <ol style="list-style-type: none"> 1. Study whether the existing fixed assets of the economic entity are evaluated in the manner and method specified in the order on the accounting policy, reflected in the accounting accounts and documents, and whether the rules for calculating depreciation, write-off, revaluation and restoration specified in the accounting policy are followed; 2. Assessment of the quantity and quality of use of fixed assets in accordance with the procedure (acquisition, depreciation expenses and write-off) established in the business plan (estimate) of the subject under review; 3. The serviceability coefficient of fixed assets of the audited entity, the depreciation



coefficient of fixed assets, the coefficient of coverage of fixed assets at the expense of own and debt funds, the coefficient representing the contribution of fixed assets to the total funds, the capitalization coefficient of own funds, the total coefficient of accumulation of fixed assets, the coefficient of intensity of accumulation of fixed assets and the profitability of fixed assets determining the coefficients and evaluating the connections and changes between them;

4. Comparison of the indicators in the financial report on the main means of the audited entity for different periods and evaluation of the factors influencing their change;

5. Analysis of the reasons for the formation of receivables and creditor obligations and ways of reducing them in relation to the purchase, sale, rent and long-term leasing of fixed assets of the business entity;

6. Fixed assets in the accounting of a business entity, depreciation of fixed assets, fixed assets received under a financial lease agreement, purchase of fixed assets, capital investments in fixed assets received under a financial lease agreement, outflow of fixed assets, profit from the outflow of fixed assets, operating leased fixed assets comparing balances in analytical and synthetic accounts, such as tools, fixed assets given under a financial lease agreement, and determining the reasons for differences in them;

7. the aggregate indicators of the effectiveness of the executive body of the entity ;

8. Existence of future plans of the business entity for modernization, sale and purchase of fixed assets, write-off by calculation of quick depreciation or write-off of fixed assets for other purposes, or existing fixed assets will be used to cover creditor obligations, or from fixed assets in case of future bankruptcy (stopping of activity) of the entity's activities. assessment of the availability of the purposes of use;

9. Purchase and sale (rental, leasing, free transfer) contracts, AV1-AV9 forms, bill of lading, payment documents, inventory data, memorial orders, circulation notes, journal orders, general ledger and financial report concluded on fixed assets of the business entity. mutual comparison of indicators in their forms and analysis of the reasons for differences in them;

10. Indicators on fixed assets in the audited entity's financial and statistical reports, information on the sale, purchase, free or lease of fixed assets with suppliers, buyers, partners, founders, branches of the business entity, tenants and other external entities (third parties) to compare and evaluate the reasons for their differences;

11. Investigating whether the financial results from fixed assets in the financial statements of the business entity are not shown as extraordinary profit (loss) income;

12. Intercomparison of the items of the accounting balance on fixed assets of the audited entity and assessment of the reasons for serious changes in them;

13. Comparison of items on fixed assets in financial statement forms and explanations and comments to financial statements and analysis of the reasons for differences in them;

14. Determining the amount of losses (damages) incurred as a result of accidents on fixed assets in the activity of an economic entity and assessing their impact on the financial results of the audited entity;

15. To determine the existence of extraordinary losses on the main assets in the audited entity's financial statements and to study whether they are fully disclosed as a liability in the financial statements.



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Analysis of performed actions

1. As a result of the performed analytical operations, expressing the identified deficiencies (differences) in terms of fixed assets in money and evaluating their impact on the financial results of the audited entity;
2. Analyzing the reasons for the appearance of defects identified in the main assets as a result of the performed analytical operations;
3. Assessment of the impact of analytical actions performed on fixed assets and the level of audit risk;
4. Comparison of the indicators of fixed assets in the official balance sheet of the entity and the alternate balance compiled by the auditors, as well as receiving explanations from the responsible accountants of the entity regarding the identified differences.

As a result of research carried out in audit organizations, it is determined that analytical actions in accordance with audit standards are used on the basis of auditors' independent approaches during inspections, so in most cases, auditors do not fully understand the content and importance of analytical actions, or the management of the audit organization has not developed detailed methodological instructions and internal standards for the use of analytical actions. As a result, it was observed that analytical procedures are not used sufficiently and effectively in inspections. In our opinion, in order to ensure effective use of analytical operations by auditors, it is necessary to develop an internal standard for the use of analytical operations in audit organizations, and in this standard, the order (sequence) of using analytical operations as above should be clearly stated based on practical approaches.

CONCLUSIONS

The following conclusions and suggestions were formed on the basis of the researches to reveal the nature of analytical operations in the audit and increase the efficiency of using analytical operations in inspections:

1. First of all, the quality and effectiveness of audits and the assessment of the level of reliability of financial reporting indicators are directly dependent on the widespread use of analytical procedures. Analytical procedures are widely used in international audit practice as the most effective way to obtain audit evidence and deliver audit results to the audited entity's management in a quick and accurate manner. Therefore, it is appropriate to ensure the widespread use of analytical procedures in the audit practice of our republic.

2. In the course of the research, it was observed that today in the audit practice of our republic, simple inspection methods are widely used, that is, methods such as testing, conducting questionnaires, inventory and mutual comparison of documents. In our opinion, although the application of these methods is easy and simple for the auditor, the results of these methods will not be reliable enough. In the current environment, where the digital economy and information technologies are developing widely, the use of more financial analysis methods and complex analytical operations based on econometric models will give the most effective and high results.

3. In forming an objective auditor's opinion regarding the reliability of the audited entity's financial report during inspections, it is necessary to correctly determine financial



indicators such as financial stability, financial independence, solvency, profitability, which can be achieved only through the effective use of analytical procedures.

4. The effective use of analytical operations in the course of inspections does not depend only on the knowledge and skills of the auditor, in our opinion, we believe that it can be achieved today by using automated software types and internal standards of audit organizations with excellent content.

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