



Improving the Application of Analytical Procedures based on International Auditing Standards

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Abstract

In this article discussed the directions of application of analytical procedures based on international auditing standards. It also highlights the importance of analytical procedures in planning the audit, gathering evidence and forming the auditor's report. As a result of the study was recommended the sequence of application of analytical procedures.

Keywords: *International Auditing Standards; Analytical Procedures; Audit Planning; Audit Evidence; Auditor's Report*

Introduction

As a result of reforms to improve auditing in Uzbekistan in recent years, competition in the audit services market is growing. In order not to lose their position in front of clients and to find new clients, the heads of audit organizations must constantly monitor the dynamics of payment for services provided. To do this, it is necessary to control the cost of audits and regularly reduce unjustified costs. Analytical procedures play an important role in optimizing the costs of conducting an audit. Carrying out analytical activities requires a relatively low cost compared to other audit activities, allowing to obtain a significant amount of necessary information.

In addition, the main purpose of the audit is to determine the life cycle of the business entity, the effective use of material and financial resources; development of measures to improve the financial condition of the business entity, which requires the auditor to conduct a comprehensive economic analysis in a timely manner. In doing so, analytical procedures are widely used and play an important role in making decisions based on the results of the audit.

Literatures Review

Extensive attention is paid to the application of analytical methods in audits in the normative and legal documents and in the works of economists. According to economist N.A. Kazakova, analytical activities are the analysis of indicators in order to form a professional opinion, based on the justification of certain management decisions or to determine the relationship between financial and non-financial indicators [3].

R.P.Bulyga and M.V.Melnik recognized analytical actions as a method of audit used to determine the cause-and-effect relationship between the indicators being analyzed [2]. According to a group of economists in our country, the analytical work contradicts other relevant data or does not correspond to the forecasted amount; including an analysis of important coefficients and trends resulting from deviations and various relationships [6, 218].

Economists J. Kritsinger and K. Barak concluded that analytical operations are a method of analysis used to identify inconsistencies between indicators and deviations from the amounts predicted by the auditor [5]. Another group of economists has argued that analytical practice is an audit method used to determine the relationship between financial and non-financial performance based on the professional observation of auditors [4].

It is clear from the above considerations that the opinions of economists are mainly focused on the essence of analytical operations and the purposes of their application. However, insufficient attention has been paid to the sequence of application of analytical procedures based on international standards and their importance in the collection of audit evidence.

Research Methodology

In conducting research, audits provide conclusions, suggestions and recommendations in relevant areas through the analysis of the views of economists on analytical activities, expert evaluation, observation of processes, a systematic approach to economic events and processes, comparative analysis with the author's experience.

Analysis and Results

It is necessary to apply analytical procedures during audits. Exact analytical procedures are the most reliable and widely used method of gathering audit evidence.

The normative and legal basis for the implementation of analytical activities in the implementation of auditing activities is the International Auditing Standard No. 520 "Analytical Practices". Analytical procedures are also based on International Auditing Standard No. 500, Audit Evidence.

According to International Auditing Standard No. 520 "Analytical Operations", analytical operations involve the consideration of financial information about the activities of a business entity, for example, the results of a comparison with:

- With comparative data for previous periods;
- The entity's expected performance, such as budgets or forecasts, or the auditor's assumptions, such as the assessment of depreciation;
- Comparing the ratio of revenue from sales of an entity with receivables with similar data by industry, for example, by industry average or by indicators of other comparable enterprises in the industry [1].

Looking at the practice of audits, the most common type of analytical practice is to compare actual data with last year's data. The application of analytical methods should take into account the changes in the activities of business entities in the current period compared to the previous period. If there are no significant financial or organizational changes in the entity during this period, the results obtained are considered valid.

During audits, audit organizations compare client data with the data of the average business entity or related business entity in the network. These actions, in turn, allow determining the market share and competitiveness of the business entity. Only financial statement data to compare data from a related or average business entity in the network, but in addition to them it is recommended to attach a description of the methods used in accounting. This is because different business entities in the industry may be using different methods of accounting.

In the application of analytical procedures, the main focus is on the study of abnormal deviations and their causes. Significant deviations are usually explored. The causes of these deviations and the influencing factors are studied not through an analytical way but through a comprehensive investigation.

In general, analytical activities serve to improve the quality and efficiency of the audit. The advantages of applying these procedures in the audit include:

- Proves the reliability of the data of individual accounts or groups of accounts.
- Liquidity at a particular date, or for a previous period, allows you to determine profitability indicators.
- Draws the auditor's attention to important aspects of the audit, as well as serves to reduce the scope and time of the audit.
- allows you to check the correlation of indicators.

Analytical activities are used in the planning, audit, financial reporting and final stages of the audit (Table 1).

In the planning phase, an unlimited number of analytical operations are used, at which stage the auditor mainly uses operations that are not related to the calculations.

Table 1: Periodicity and purpose of application of analytical procedures in audit (Compiled by the author)

Stage	Даврийлик	Purpose
Planning	During the start of the audit and all activities of the audit	In the process of planning the audit, the auditor has the opportunity to create an improved audit plan and program, taking into account the characteristics of the client, such as the form of ownership, type of activity, scope. This, in turn, will help to identify important areas of audit, rational allocation of auditors' working hours, improve the level of mutual understanding of auditors
Examination of economic transactions	In the process of verifying the importance of business transactions and accounts	It is possible to reduce the audit risk to an acceptable level by analyzing the results of the accounting and internal control system of the business entity using analytical procedures
Audit of financial statements	In the process of reviewing financial reporting forms	Allows detection of errors by comparing financial statement forms with General ledger data as well as financial statement data
The final	At the end of the audit	Allows you to make an overall decision on financial reporting

Accounting-related operations are mainly used in the business operations and financial reporting audit phases; the current state of the accounting and internal control system of the business entity will be assessed, and it will be possible to identify errors in the representative accounts and accounting registers. At the final stage, analytical procedures aimed at determining the financial condition are widely used, and financial ratios and profitability indicators are determined.

In general, analytical actions are performed in all processes of the audit. Application of analytical activities in the planning process; allows to determine the level of audit risk, taking into account significant changes in the activities and financial condition of the audited entity. Also, the application of analytical procedures in this process allows to form the scope of audit selection. Analytical procedures are used during the audit to reduce the level of audit risk. At the final stage of the audit, analytical procedures are used to compare the level of audit risk identified in the initial stage of the audit with the results of the audit.

There are the following types of analytical activities:

- Non-quantitative actions - actions aimed at applying general knowledge in the field of accounting or the characteristics of the business entity, which allows to think about the accuracy, legality and completeness of accounts and interrelationships. The main disadvantage of these types of actions is their subjective nature;
- Simple quantitative operations used to determine the relationship between accounts. Examples of this are the analysis of coefficients, the analysis of variation.
- Complex quantitative operations. Through these activities, using economic-statistical models, it is possible to identify the causes of change, the factors that affect them. However, these procedures are rarely used in an audit. Because the application of these actions is costly, requires thorough knowledge.

It is known that when each economic process is carried out step by step, its efficiency increases even more. Carrying out analytical activities in stages of a certain sequence leads to an increase in the quality of the audit. The stages of application of analytical procedures are as follows:

- Determine the purpose of the analytical practice;
- Selection of the method of analytical practice;
- Perform analytical work;
- Analysis of results.

The 4 steps listed above, in turn, reflect the process of applying analytical procedures.

In general, the reasons for the growing role of analytical activities in the audit can be explained by the following:

- There is a downward trend in the reduction of inspection costs while maintaining service costs and quality of work;
- The need to identify errors in the financial statements. theoretically, analytical procedures are an effective method of error detection. In practice, many errors are detected precisely through the application of analytical procedures;
- To provide opportunities to better understand the client business, the characteristics of its activities, to identify complex aspects of a financial nature.

From the above considerations, it is clear that analytical activities can improve the quality of the audit and the optimal distribution of time and costs for the audit, the formation of a reliable audit opinion.

Conclusion

1. Today, great attention is paid to conducting auditing activities in accordance with international standards. Forming an audit opinion on the basis of international auditing standards allows forming a correct opinion on the reliability of financial statements.
2. The primary purpose of the audit is to form an impartial audit opinion. The formation of an audit opinion depends on the results of a careful examination. It is advisable to use analytical methods in this process. Exact analytical procedures are the most common and reliable method of audit evidence.
3. Analytical activities play an important role in determining the relationship between the accuracy of accounting information and financial reporting indicators. Therefore, the study recommended the periodicity and purpose of the application of analytical procedures in the audit, as well as the sequence of application of analytical procedures.

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