

# *Problems of audit quality control in condition of “Uzbekistan Temir Yo’llari”*

Nargiza Abdieva  
Tashkent Financial Institute,  
Tashkent city,  
Uzbekistan,  
nargiza.abdieva.s@mail.ru

**Abstract**— In the report the problems of internal audit are discussed and criterions of internal audit activity and legal principles of audit activities in the republic of Uzbekistan moreover are examined. Two types of internal and external quality control examined carefully. Additionally, there were given recommendations for audit quality control improvement.

**Keywords**—audit; internal audit; internal quality control; external quality control; audit ethics.

## I. INTRODUCTION

In condition of economy market there was formed the requirement in reliable financial information about activity of economic subjects. This demands effective audit activity from organizations. Decisive factor of audit successful function activity both external and internal is the improvement of quality of rendering audit service. Improvement quality of audit requires the control of quality of audit activity. in this way, problem examining of control quality of audit leads to the improvement quality of audit activity.

## II. AUDIT CONTROL SYSTEM IN UZBEKISTAN

Studying and the analyzing of indicators of activity of audit firms over the past few year’s shows a significant increase the demand of audit services. Also, it should be directly noted that further effective development of audit activity in the Republic of Uzbekistan, depends on the quality of a carried-out audit inspections and rendering the services accompanying audit. In turn, the quality of audit services is closely connected with the organization of quality control of auditors’ work which are the integral component of audit activity. However, in today’s operating conditions of the market of audit services a number of the vital issues limiting possibilities of quality control of the provided audit services are allocated.

According to the Ministry of Finance of the Republic of Uzbekistan to date in our country are the activities of 104 audit companies, of which 60% are located at the territory of the capital, while the remaining 40% in other regions. Quality control activities of the above organizations play an important role for users of audit services and audit organizations for

themselves as quality control audit activities aimed at improving the quality of auditing.

The quality of audit activity - is the degree necessary and sufficient level of inspection activities of the economic entity in accordance with all legal requirements in the field of audit, as well as in accordance with the regulations of the Republic of Uzbekistan, rational construction process, the use of scientific, advanced audit methods, speed and completeness of information services.

## III. LEGISLATION OF AUDIT OF UZBEKISTAN

In the role of quality criteria, which form the necessary professional skills audit in Uzbekistan, we can consider compliance:

In the role of quality criteria, which form the necessary professional skills audit in Uzbekistan, we can consider compliance:

- Law of Rep. Uz “Auditorlik faoliyati to’g’risida” (On auditing, from 26.05. 2000);
- Resolution Kab.Min.Rep.Uz. “Auditorlik faoliyatini takomillashtirish va auditorlik tekshirishlarning ahamiyatini oshirish to’g’risida” (On the improvement of audit activity and increasing the role of audits, 22.09.2000);
- Regulation “Auditorlik malaka sertifikatini berish tartibi to’g’risida” (On the procedure for issuance of qualification certificate, 23. 10.2000);
- Regulation “Korxonalaridagi ichki audit xizmati to’g’risida” (On service of internal audit in companys, 16.10.2006)
- Regulation “Ichki auditorlarni sertifikatlash tartibi to’g’risida” (On Certification of Internal Auditors’, 26.10.2012);
- Decree of the President Rep. Uz. “Auditorlik tashkilotlari faoliyatini yanada takomillashtirish hamda ular ko’rsatayotgan xizmatlar sifati uchun javobgarlikni oshirish to’g’risida” (On further improvement of audit

firms and their responsibility for improving the quality of services, 04.04.2007);

- The principles and requirements set out in the national auditing standards;
- The principles and requirements of international standards, Which is not inconsistent with national standards;
- Professional ethics of auditors;
- Requirements of internal rules (standards) of audit firms and self-regulatory organization of auditors, which includes the company;
- Conditions of the contract for the provision of audit services and obligations arising out of legal relationships defined by this contract.

The main purpose of quality management audit is to ensure that its regulated level in the application of advanced methods of audit. The quality is improving due to the improvement in the organization of the audit and the rational use of available resources.

The main objectives of the development of a quality management system of audit activity should be:

- Development and legal registration of the foundations of an independent auditing activities;
- -improving national auditing standards and their correlation with the existing system of accounting and tax accounting;
- Justification of the new concept of training of auditors.
- From this definition can be formed quality criteria of audit activity:
- Compliance with the legislation of the Republic of Uzbekistan in the field of auditing in particular.
- The availability of sufficient professional knowledge, skilled auditor engaged in checking certain areas of the subject.
- The availability of sufficient and appropriate audit evidence to. Drawing conclusions about the reliability or unreliability of information about the activities of the economic entity.
- Compliance with ethical audit.
- Economic feasibility is compliance with the ratio of price-quality.

#### IV. CONTROLLING SYSTEM OF AUDIT & PROBLEMS

Currently allocated two types of audit quality control: internal and external [1]. The principles of internal quality control and specific procedures for their implementation are declared internal standards of audit firms. Internal quality control audit carried out in the form of monitoring the audit team leader for the work of its members. At this stage of control:

#### A. The individual audit areas, including:

- Order the principles of the audit;
- Implementation of the general plan and the audit program;
- Proper documentation of audit evidence;
- The validity of the conclusions reached by the auditors.

#### B. The total quality control audit:

Control of the personal qualities of employees; Reasonable allocation of responsibilities between the members of the group; Compliance with the rules (standards) of audit. If it is revealed improper assignment head test can replace the auditor (or an assistant) to another specialist.

At the stage of internal control audit quality audit team leader checks the work done by assistants and auditors followed the directions:

- Meet whether the work performed audit program;
- If properly formalized the results obtained in the working papers of the auditor:
- Have the objectives of the audit procedures;
- Whether the conclusions of the results of the work performed and whether they support the audit opinion.

Since the responsibility for carrying out the audit, auditors and assistants is the audit team leader, he should study in detail the questions that reflect:

- The adequacy of audit evidence;
- Clarity of the conclusions reached by the auditors as a result of the audit;
- Completeness of the deficiencies noted in the account;
- Completeness and completion dates of audit procedures in accordance with the audit program.

Internal quality control like any other systems consists of range of elements those are presented in the following figure (1).

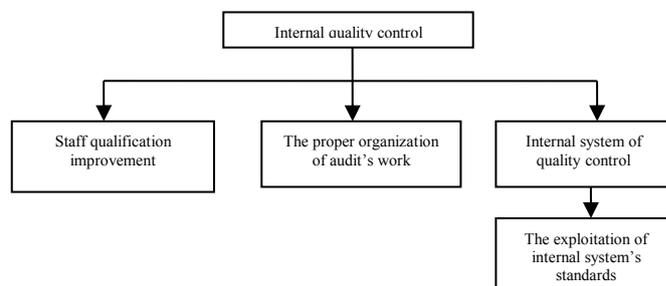


Fig. 1. Internal quality control

Most important elements for audit's quality control in Uzbekistan as mentioned above. In aggregation these elements can lead to effective and reliable audit's internal quality

control [1]. By looking to this matter with the example of JSC “Uzbekistan railway work” it can be observed that this railway company has more than 70 structural subdivisions. The service of internal audit was organized in 2009 and there are 10 audits.

The main objectives of internal railway service are:

Providing the Broad of JSC “Uzbekistan Railway” and the State Attorney of State Assets of LSC “Uzbekistan Temir Yollari” with reliable information and the preparation of proposal on improvement of activity of JSC “Uzbekistan Railway” according to the results of the internal audit.

Operative introduction of recommendations connected with the elimination of deficiencies during the process of internal audit to “Uzbekistan Temir Yollari”.

It must be noted that “Uzbekistan Temir Yollari” JSC internal audit service is regulated and evaluated in accordance with the regulations of each year attestation. Table 1 shows t regular schedule of JSC “Uzbekistan railway work” internal audit and presented below.

TABLE I. THE STAFF SCHEDULE OF THE INTERNAL AUDIT SERVICE OF JSC “UZBEKISTAN RAILWAY” FROM JANUARY 1, 2016

Job title	Unit number	The category rate	The monthly salary fund	Tariff coefficient	Position salary	The monthly salary fund
1	2	3	4	5	6	7
Head of service	1	14	3	16,16	2104678	2104678
Deputy Head of service	1	13	3	10,74	1398778	1398778
Auditor	7	11	3	13,17	12006827	12006827
Assistant auditor	1	10	3	11,52	1500365	1500365
Assistant auditor	1	10	3	8,23	1071875	1071875
overall	<b>10</b>					<b>16002590</b>

In our opinion, the evaluation of internal audit performance service increases the quality of internal auditors’ work and enterprise performance evaluation system to assess the adoption of the techniques of improvement. Think this method should mainly emphasizes on quantitative indicators because in” Uzbekistan Temir Yollari” JSC internal service obtains qualification requirements and they are defined as followings: The staff of internal audit Service of accounting, audit, tax and financial control workers should have at least two years of practical work experience ( part- time) within the sector in last ten years and must meet one of the following requirements:

- Must obtain Internal audit certificate

- Must have economic information presented by a foreign state institutions of higher education or Uzbekistan higher education in accordance with the law and by the organizations recognized as equivalent to higher education
- Uzbekistan Railway JSC internal audit staff of 10 people has at least 8 certified auditors.
- Every year the head of the internal audit service estimates the annual costs of the case and presents it to the “Uzbekistan railway” JSC Broad of Directors for approval
- The workers of internal audit must pass an annual internal audit training courses regarding to Qualification standards.

In general, the internal audit management system is an integral part of the Republic of Uzbekistan because it can be regarded as “Uzbekistan Temir Yollari” as director of the company and as a subsidiary of the largest holding companies of the decisions of the management and the timely and full implementation of all the companies’ financial documents and full display can’t be fully controlled by the company directors and managers in the meantime, the internal auditors is invaluable service.

The quality assurance of external audit organizations conducting statutory audit of accounting (financial) reporting organizations carry out self-regulatory organization of auditors in relation to its members, as well as the authorized body Min. Fin.of Rep. of Uzbekistan

Verification can be both planned and unplanned. The basis for an unscheduled quality assurance review of the audit firm or individual auditor may be filed with the self-regulatory organization of auditors or authorized federal complaint against actions (inaction) of the audit firm or individual auditor, violating the requirements of the law of the Republic. on Auditing, auditing standards, independence rules for auditors and audit firms, as well as the code of professional ethics of auditors. Other grounds for unscheduled quality assurance review of the audit firm or individual auditor are established by the legislation of Rep.Uz.

### C. Problems of Quality Control Audit

Significant problems of quality control audit are: The lack of teaching materials for the organization and implementation of internal quality control of the audit and ineffective ways of their distribution; Lack of transparency regarding the results of the external quality control; Insufficient number of auditors and the relevant units of specialized professionals who deal directly with the external quality control of audit firms and auditors. Poor drafting responses to complaints received on the activities of auditors and audit organizations, which complicates the process of unscheduled inspections of audit quality.

When considering the above problems are a clear need to continue to improve the terminology, theoretical and methodological apparatus for audit quality assurance and control of audit work. Also extremely relevant is to optimize

the timing of inspections on the part of the organization with the auditors, and from Min.Fin.

#### V. SUMMARY & RECOMMENDATIONS

Summarizing we can say that the quality control system in our country is in the process of formation and requires considerable study of all the contentious issues that require speedy resolution for the effective implementation of audit activity. One of the essential aspects is to streamline the regulatory framework audit quality control, reflecting the changing regulatory and audit control environment. As well as an important step towards closer auditing activities in Uzbekistan to international standards are internal standards, development and practical implementation of which contributes to the quality checks, the effectiveness of their results, reduce the complexity of the audit work.

To solve the above problems related to audit quality control, we offer the following:

1. Development of teaching materials for the organization and implementation of internal quality control of the audit as well as effective methods of dissemination;

2. Development of Regulations for conducting quality control of audit firms and auditors, as well as transparency in relation to the results of external quality control.

#### ACKNOWLEDGMENT

I do acknowledge and say thank you to my supervisor Dr Gafur Ibragimov for his continuous guidance.

#### REFERENCES

- [1] A.V. Yevdokimova, and I.N. Pashkina, "Internal audit and control of financial-business activity of organization," Practical manual, Molodoy uchyoniy, 2013, pp. 365-369.
- [2] A.V. Kucherov, and K.A. Salina, "Problems of organization internal and external control of audit quality," Molodoy uchyoniy, 2013, pp. 365-369.