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THE ROLE OF INTERNATIONAL AUDIT STANDARDS ON THE AUDIT OF OIL AND GAS COMPANIES IN UZBEKISTAN

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ABSTRACT

The article is devoted to the importance of improving national audit standards based on international standards on audit and to reveal the problems associated with this. The article specialized more in oil and gas companies which has significant role in the economy of the Republic of Uzbekistan. The article also analyses the differences between national and international standards on audit.

KEYWORDS: *ISA-International Standards On Audit, NSA-National Standards On Audit, Oil And Gas Companies, Fair Valuation, Quality Control, Financial Statement, Audit, Accounting, Petroleum Products.*

INTRODUCTION

The role of economic relationships among countries in the process of global integration is enormous. In order to simplify and facilitate economic relations between the countries, international standards of an advisory nature have been developed by international organizations in economic areas, including accounting and auditing. International standards play an important role in strengthening the economic and political position of countries, their integration into the world economy. Uzbekistan is also implementing international accounting and auditing standards in national practice in order to attract foreign investment and expand trade in the world market. As the trade in petroleum products is one of the main sectors in Uzbekistan, it is important to introduce international standards in this area. Giving reliable information about the financial situation is crucial to appeal investors from all over the world. One of the main forms of confirmation of the reliability of the financial reporting information provided by each

enterprise is audits. Adaptation of audits in this area to international requirements provides information users with reliable and understandable information.

Methods

Methods of comparison, scientific abstraction, logical thinking, observation and analysis were used in the research process.

RESULTS AND DISCUSSION

One of the most pressing issues in the economy of Uzbekistan is the production and timely supply of petroleum products to consumers. The role of oil companies in the supply of petroleum products to consumers is significant. Modernization of the network entities, digitization of procurement, storage and sales processes, as well as settlements with suppliers and customers on the basis of modern computer and information technology, on this basis, accounting for income, expenses, profit (loss), tax payments and Improving control is an important task.

In carrying out these tasks, the transfer of financial statements and reports to international standards, as well as audits on the basis of financial statements prepared in accordance with international standards, as in other industry enterprises, is very effective. The main reason for this is that it will be necessary to attract investors to all sectors of the economy and provide information to external partners in an understandable way to enter the international market.

Government gives considerable more attention to make effective efforts in Uzbekistan in order to implement international standards. For instance, the Ministry of Finance of the Republic of Uzbekistan held a meeting with representatives of the International Federation of Accountants (IFAC), the World Bank, the Chamber of Auditors of Uzbekistan, the National Association of Accountants and Auditors of Uzbekistan, on 30th January, 2020. **The main purpose of the meeting was a comprehensive discussion of the main audit and international financial reporting standards, as well as the training of specialists in this field.**

The results of the comparison of national and international auditing standards can be seen in the table below.

The differences between international and national standards on audit in Uzbekistan

International standards on Auditing	National standards on Auditing of Uzbekistan
ISA 200: Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing	
ISA 210: Agreeing the Terms of Audit Engagements	
ISA 220: Quality Control for an Audit of Financial Statements	NSA 5: Quality Control for an Audit
ISA 230: Audit Documentation	NSA 6: Audit Documentation
ISA 240: The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements	

ISA 250: Consideration of Laws and Regulations in an Audit of Financial Statements	NSA 25: Checking Compliance of Laws and Regulations in a Audit Process
ISA 260: <i>Communication with Those Charged with Governance</i>	
ISA 265: Communicating Deficiencies in Internal Control to Those Charged with Governance and Management	NSA 12: Evaluation of the Accounting and Internal Control System in the Process of Audits
ISA 300: Planning an Audit of Financial Statements	NSA 3: Planning an Audit
ISA 315: Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment	NSA 9: Significance and audit risk
ISA 320: Materiality in Planning and Performing an Audit	
ISA 330: The Auditor's Responses to Assessed Risks	
ISA 402: Audit Considerations Relating to an Entity Using a Service Organization	
ISA 450: Evaluation of Misstatements Identified during the Audit	NSA 24: The Actions of the Audit Organization in the detection of Misstatements in the Financial Statements
ISA 500: Audit Evidence	NSA 50: Audit Evidence
ISA 501: Audit Evidence-Specific Considerations for Selected Items	
ISA 505: External Confirmations	
ISA 510: Initial Audit Engagements-Opening Balances	
ISA 520: Analytical Procedures	NSA 13: Analytical Activities
ISA 530: Audit Sampling	NSA 14: Audit Selection
ISA 540: Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures	
ISA 550: Related Parties	NSA 55: Getting audit evidence from related parties
ISA 560: <i>Subsequent Events</i>	NSA 56: Subsequent events after financial statement
ISA 570: Going Concern	
ISA 580: Written Representations	
ISA 600: Special Considerations-Audits of Group Financial Statements (Including the Work of Component Auditors)	NSA 60: Using Results of Other Audit's Work
ISA 610: Using the Work of Internal Auditors	
ISA 620: Using the Work of an Auditor's	NSA 16: Using the Work of Expert

Expert	
ISA 700: <i>Forming an Opinion and Reporting on Financial Statements</i>	NSA 70: Forming Audit Report and Conclusion about Financial Statement
ISA 705: Modifications to the Opinion in the Independent Auditor's Report	
ISA 706 Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report	
ISA 710: Comparative Information-Corresponding Figures and Comparative Financial Statements	
ISA 720: The Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements	NSA 10: Other Information in the Contents of Financial Statement
ISA 800: Special Considerations-Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks	NSA 80: Audit Report about Results of Special Question
ISA 805: Special Considerations-Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement	
ISA 810: Engagements to Report on Summary Financial Statements	
International Standard on Quality Control (ISQC) 1, Quality Controls for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements	
	NSA 11: Audit in Computer Processing
	NSA 31: Acquaintance with Activity of the Company
	NSA 90: Professional Services of Audit Organizations

It is clear from the table that our national standards are incomplete compared to the international standards, even some very significant features are missed. A good example for this may be ISA 540: Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures Standard which is not mentioned in national standards. The differences between national and international standards on the audit differ not only in the names or substance of the items, but also in the checking of valuation of assets, liabilities, capital. In international practice, the assets of the enterprise and the sources of their formation are valued at fair value. In particular, commodity inventories, which make up a significant part of the assets of oil companies, should be valued at fair value by international standards. But this is not provided for in our national standards. Therefore, it is necessary to make recommendations on the fair value

of inventories during audits. Additionally, quality control is one of the most urgent factors of auditing, since it enhances confidence about results of audit. So that International Standard on Quality Control (ISQC) 1, Quality Controls for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements have to be considered in the process of audit.

CONCLUSION AND RECOMMENDATIONS

It is obvious fact that revenues from oil and gas extraction can make up a large proportion of national and regional economy and taxes from this companies have a bulk percentage of total budget. For example, in Uzbekistan, 21% of total taxes collected were paid by oil and gas companies. It can prove that auditing according to international standards in these companies is vital.

Implemented successfully, the International Standards on Auditing is profitable not only for the economy of the country, but also can help auditors boost efficiency, improve documentation, provide better reporting to clients, and enhance audit quality. Thus, from the brief comments above, it is possible to draw conclusions below and make suggestions and recommendations.

- The transfer of financial accounts and reports to international standards, as well as audits of financial statements prepared in accordance with international standards, as in other industries, are an objective necessity and gives great results.
- Auditors should understand the requirements of International Standards on Auditing (ISAs) and specifically how they impact on the audit of oil and gas companies;
- The transition to the procedure of preparation of financial statements on the basis of international standards will prevent the transformation of national reporting forms, which are currently carried out in parallel, into financial statements based on international standards, spending a lot of time and money.
- In international practice, the assets of the enterprise and the sources of their formation are valued at fair value. In our country, the elements of financial reporting are not reflected in fair value. In order to ensure the reliability of reporting data on assets and liabilities of enterprises, it is expedient to include in audit plans and programs the inclusion of audit procedures in compliance with the procedures set out in IFRS 13 “Fair Valuation”.
- To solve the increasing demand of the Uzbek economy entails greater capacity in the current providers of education and training in accountancy. This, in turn, requires for the introduction of new programs to update the skills of university professors in contemporary accounting and auditing techniques, which they can then transfer to their students.

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