

ISSUES OF ORGANIZING REMOTE AUDIT UZBEKISTAN

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Abstract:

The article is devoted to consideration of theoretical issues of organization and development of remote audit in the Republic of Uzbekistan. Research papers and relevant statutory acts have been analyzed and appropriate conclusions and proposals have been developed.

Keywords: Financial oversight, audit, remote audit, auditing standards, ISO.

Introduction

Remote audit is widely used in organizing audit inspections in the public sector in international practice. Recently the government of the Republic of Uzbekistan has been implementing a number of measures aimed at enhancing efficiency of state budget expenditures, strengthening prevention of violations of budget legislation, expanding remote financial oversight, as well as reducing ineffective audits by identifying objects and objectives of audits using current updated information technologies and databases.

Decrees of the President of the Republic of Uzbekistan №PD-6300 dated August 27, 2021 “On measures to further improve the state financial oversight system” and №PD-100 dated July 10, 2024 “On additional measures to strengthen financial oversight over the use of budget funds” have been adopted.

According to the Decree of the President of the Republic of Uzbekistan №PD-100 dated July 10, 2024 “On additional measures to strengthen financial oversight over the use of budget funds” [1], in order to improve the internal audit system in ministries and departments - budget fund distributors, as well as to expand public participation and control to ensure the targeted and effective use of state budget funds, the following urgent objectives have been set up:

the Accounts Chamber has to conduct an external audit of the implementation of the consolidated budget of Uzbekistan and prepare relevant conclusions in reliance upon its results;

from 2025, the activities of large companies with a state share of 50% or more in the authorized fund (charter capital) will be audited;

it is determined that strategic and information technology audit types will be introduced.

In our opinion, one of the types of strategic and information technology audit is a remote audit.

1. Literature Review

In this regard we investigate the opinions of economists on remote audit.

In this regard, N.N. Shchepkina (2022) expressed the following considerations: “Introduction of innovations constitutes the basis for the use of new approaches in solving internal audit problems. One of these innovation-based approaches, which has gained popularity among foreign enterprises with branches in different countries of the world, is remote audit aimed at solving internal audit problems using information and communication technologies” [Shchepkina, 2].

In the opinion of Johan Ingemar Lorentzon, Lazarus Elad Fotoh, Tatenda Mugwir (2024): We define “remote audit” as the integration of technology into the audit process, enabling the collection of audit evidence, facilitating communication with clients and colleagues, and the use of technology for all forms of reporting related to the audit process. Similarly, the term “auditor’s performance” in this paper implies activities that include gathering audit evidence, communicating with clients and the audit firm, and all reporting during audit engagements [Johan Ingemar Lorentzon et al., 3].

In another source (2024): During a remote audit or electronic audit, the auditor conducts the audit without being physically present at the location of the audited party (auditee). It is recognized that online tools are used to exchange and obtain evidence with the account of the requirements and rules applicable to the audit [4].

Under current rapidly evolving (2023) business conjuncture, remote audits have become essential for quality and security leaders. With the advent of technology and the increasing need for flexibility, entities are adopting remote audit to ensure compliance, raise efficiency, and maintain high standards. Remote audits, also known as virtual audits or electronic audits, involve conducting audit activities remotely using digital tools and telecommunications technologies [5].

A remote audit offers many advantages over traditional audits, including:

Economizing expenses: Eliminating travel costs and logistics expenses associated with on-site inspections can result in significant savings for entities.

Flexibility and efficiency: Remote audits provide greater flexibility in scheduling, allowing auditors to participate from anywhere in the world. This flexibility also allows for more efficient use of time and resources.

Reducing disruptions: Conducting audits remotely minimizes disruption to day-to-day operations as employees can continue their activities without interruption.

Advanced access: Remote audits enable entities to connect with audit sites located in geographically distant locations, ensuring broad coverage and consistency across all sites. Sarah Ovaska and Maria Murphy (2023) state that Wilson Consulting conducted a biennial, remote work survey in 2020 and found that 61 percent of the 223 CPA firms surveyed plan to conduct more than half of their audit work remotely in the future. When asked the same question before the pandemic, only 17 percent of firms reported that they conducted the majority of their audit work remotely from client locations [Sarah Ovaska et al., 6].

In the opinion of Yueqi Li, Sanjay Goel, Kevin Williams (2023): The profession of the audit has undergone a digital transformation over the past decade and has recently rapidly shifted to remote auditing due to the COVID pandemic. This shift has resulted in the changes in the way auditors work and perceive. Through a survey of external auditors, this study examined how changes from on-site to remote audit influence audit success (i.e., audit quality, audit effectiveness, and auditor job satisfaction). Our results demonstrate that working remotely causes higher audit efficiency [Yueqi Li et al., 7].

From the point of view of Arifia Yasmin¹, Bahri Kamal¹, Azaria Syifaunnisa (2022), during the Covid-19 pandemic, remote audit is the right choice to be conducted with various advantages and disadvantages of remote audit, however, remote audit is an alternative, therefore, business activities and audit processes can continue, and the role of internal audit in its implementation has increased [Arifia Yasmin¹et al.,8].

Bambang Leo Handoko, Fadhilah Daffa, Muhammad Adya Atarazaq (2023) explain the impact of Covid-19 on the development of remote audit as follows: The Covid-19 pandemic that has been ongoing since 2020 has resulted in widespread social restrictions that have forced people to work from home. In the audit industry, working from home induces the auditor to use a technology called remote audit. When conducting remote audits, definitely, many audit procedures are performed online, using technologies such as cameras and drones to make observations [Bambang Leo Handoko et al., 9].

3. Research methodology.

The main aim of this research paper is to consider the issues of organizing remote audit in the public sector. In this regard, relevant tasks have been identified for organizing and improving the audit. Such research methods as comparison of practical materials and statistics have been widely used.

4. Analysis and discussion of results.

In international practice, remote auditing is regulated by the ISO 19011:2018 standard, which defines a “remote” audit as an audit conducted “at any location other than the auditee’s location” using “interactive means of communication”. ISO 19011:2018 (GOST R ISO 19011-2021) (2019) is an international standard that defines the norms and rules for auditing management systems [10].

In order to further strengthen the legal basis for remote audit, a standard called ISO/IEC 17012 “Guidelines for the use of remote auditing techniques in auditing management systems” is being developed. The standard is being developed by the Working Group (WG) of the Conformity Assessment Committee of the International Organization for Standardization (ISO/CACCO) [11].

From the considerations specified above, it is clear that a remote audit is conducted without visiting the audited company, but using advanced ICT. In reliance upon our studies, we have formulated the following definition of remote audit: “Remote audit is an automated information system - an information system that provides for the identification,

assessment and management of financial and other risks in their activities by comparing the databases of public authorities and companies, state bodies and organizations”.

The proposal to introduce remote auditing has been reflected in the “REGULATION on the procedure for conducting control measures based on risk analyses provided by the Accounts Chamber of the Republic of Uzbekistan”, approved by the order of the Chairman of the Accounts Chamber of the Republic of Uzbekistan № ID-2056 (B-1) dated September 20, 2024 [12].

What is being done in foreign countries regarding performance of the remote audit?

In order to develop internal public audit in the Republic of Kazakhstan (2023), a new module “Electronic Internal State Audit” (EIA) was developed in 2020. This module is intended for conducting audits in the field of public procurement since 2020, and 1480 inspections worth about 590 billion tenge were conducted remotely, violations worth 388 billion tenge were detected. Starting in the second half of 2022, the EVGA has been expanded to cover the financial and economic activities of the audited entities, the use of budget funds, and the safeguarding of the public assets. Every fifth inspection is done remotely, with EVGA coverage accounting for 8.3% of total inspections [13]. It helps minimize the risk of corruption, reduces labor and time costs, as well as administrative resources, and provides simultaneous verification at several audit sites.

In addition, the Republic of Kazakhstan (2024) adopted the law “On State Audit and Financial Control” to improve audit in the public sector, including remote audit [14].

In the Russian Federation, the share of remote audit in the structure of the general audit is also increasing. In this regard, A.I.Sergeeva (2022) believes that if until 2020, remote audit was used by the companies participating in the survey in an amount of no more than 7 percent of the total volume of audit procedures, then in the spring of 2020 the share of remote audit increased sharply to 91 percent [Sergeeva, 15].

As a result of the research, we believe that the advantages of remote audits are as follows:

Economizing expenses: Eliminating travel costs and logistics expenses associated with on-site inspections can result in significant savings for entities.

Flexibility and efficiency: Remote audits provide greater flexibility in scheduling, allowing auditors to participate from anywhere in the world. This flexibility also allows for more efficient use of time and resources.

Reducing disruptions: Conducting audits remotely minimizes disruption to day-to-day operations as employees can continue their activities without interruption.

Real-time data access: real-time access to digital records and systems for rapid review and analysis, enabling timely decision-making.

Despite its advantages, remote audit also has its challenges that require solutions:

Data security issues: To protect the data available during virtual audits, robust cybersecurity measures such as encrypted communication channels and secure data storage are required.

Audit integrity: Ensure the integrity of audit processes through standardized audit reports, thorough documentation and transparent audit trails.

Technology dependency: Eliminate technology barriers through ongoing training on remote audit tools among auditors and stakeholders.

Efficient remote audits rely on best practices to ensure accuracy, reliability, and consistency.

Pre-Audit Preparation: Establish clear objectives and assumptions to align stakeholders and streamline the audit process.

Using technology: use video conferencing, virtual collaboration platforms and audit management software for seamless communication and document sharing.

Documentation and reporting: Maintain comprehensive audit trails, carefully document evidence, and create clear reports to facilitate informed decision-making.

Continuous Improvement: Regularly improve remote audit methodologies based on feedback and lessons learned to optimize future engagements.

“Remote control” center was established with the aim of developing remote audit in the Republic of Uzbekistan, in compliance with the Decree of the President of the Republic of Uzbekistan №-6300 dated August 27, 2021 “On measures to further improve the state financial insight” and Resolution of the President of the Republic of Uzbekistan №-128 dated February 14, 2022 “On further raising efficiency of expenditures of the State Budget of the Republic of Uzbekistan and improving the activities of public financial control authorities”. A real-time system of using 115 types of databases of the Accounts Chamber of 28 public bodies and entities has been established and data is processed by a single “Remote control” center.

The center is equipped with modern servers, computers, and other necessary equipment based on cybersecurity requirements.

Its main objective is to improve efficiency of the Accounts Chamber’s activities, prevent violations of budget legislation, as well as strengthen regular preventive activities.

The First Deputy Chairman of the Accounts Chamber of the Republic of Uzbekistan, B. Turabov (24), made the report on the topic of “Remote audit”, emphasizing the following [Turabov, 16].

Due to the limitation of the possibility of conducting the public audit in the traditional way, the risk of unnecessary and ineffective spending of funds has increased. In this case, without reviewing the audit object and primary accounting documents, it caused difficulties in controlling the legality of expenses. This made it necessary to do the activities of the Accounts Chamber only remotely.

The Accounts Chamber paid particular attention to three areas.

The first focus area is to identify additional sources of income for the state budget. In this case, electronic reports in the software complexes of tax, finance and statistical bodies have been remotely compared, and sources of additional income to the budget have been determined and their collection to the budget has been ensured.

In the second focus area, remote monitoring of the accurate and targeted spending of funds spent on measures to mitigate the consequences of the pandemic has been performed and opportunities for optimizing state budget expenditures have been investigated.

In the third focus area, the Accounts Chamber has had the task of monitoring the timely and quality provision of tasks in the laws and decrees and decisions of the head of the government in the form of remote control. In this regard, a special software complex “Ijro.gov.uz” has been created, and each assignment given to the public authorities is entered into this software complex by the Ministry of Justice.

Preliminary results of remote audit control activities are being determined in our country. Deficiencies in the amount of 395 billion UZS have been eliminated from the risks automatically identified in the ministries by the “Remote Audit” information system of the Accounts Chamber (2024).

As a result of remote audit control activities and analysis, the following aspects have been determined:

54.5 billion UZS of excess and illegal expenses have been avoided;

sources of additional income worth 3.6 trillion UZS to the state budget have been identified and collection measures are currently being undertaken;

177 billion UZS of excessive and illegal expenditures have been identified from budget funds and measures have been undertaken to eliminate them and prevent their recurrence in the future [Usmonov, 17].

Based on the results of the research, the trends in improving remote audit in the Republic of Uzbekistan are as follows:

As companies continue to embrace digital transformation, we propose that the future of remote audit will unlock new opportunities for audit efficiency, compliance, and innovation, leveraging modern IT technologies;

Blockchain technology: It is concluded that blockchain implementation will increase audit transparency and security by providing immutable records and verifiable audit documents.

Predictive analytics: Using historical data and predictive models, auditors can forecast risks, optimize audit planning, and improve resource allocation.

Improving cyber security: Advances in cyber security measures such as encryption and secure data transmission protocols ensure the protection of critical audit data during virtual communications.

5. Conclusions and Proposals

In conclusion, there is a need to organize a remote audit in the Republic of Uzbekistan.

In reliance upon the research, we have formulated the following definition of remote audit: “Remote audit is an automated information system - an information system that provides for the identification, assessment and management of financial and other risks in their activities by comparing the databases of public authorities and entities”.

The proposal to introduce remote audit is reflected in the “REGULATION on the procedure for conducting control measures based on risk analyses provided by the Accounts Chamber of the Republic of Uzbekistan”, approved by the order of the Chairman of the Accounts Chamber of the Republic of Uzbekistan № ID-2056 (B-1) dated September 20, 2024.

The implementation of the above scientific and theoretical recommendations into practice will not only serve to improve audit in the public sector in the Republic of Uzbekistan, but will also result in the effective use of budget funds and increase the efficiency of audit.

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