



THE ENHANCEMENT OF ORGANIZATIONAL AND METHODOLOGICAL ASPECTS OF PRODUCT AUDITS IN LIGHT INDUSTRY ENTERPRISES

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ABSTRACT

The article delves into the intricacies of Audit Strategy and Audit Plan in alignment with International Standard on Auditing 300. It emphasizes the importance of continual updates and revisions to these foundational components throughout the audit process. Notably, it explores the significance of documentation in capturing alterations arising from unforeseen events or evolving circumstances during the audit. The discussion underscores that clear and comprehensive documentation is pivotal in embodying critical decisions guiding audit conduct.

Furthermore, the article elucidates that while diverse methods exist for documenting audit strategies and plans, the essence lies in their ability to effectively reflect the evolving audit processes. It emphasizes the imperative role of supervision, review, and inspection, as stipulated in International Standards on Auditing 300, in ensuring the quality and accuracy of audit execution.

In summary, the article accentuates that Audit Reassessment is a dynamic process that goes beyond risk evaluation and business comprehension, necessitating continuous adjustments to adapt to changing audit conditions. Adhering to International Standard on Auditing 300 is fundamental in constructing and amending audit strategies and plans.

KEY WORDS: *product, audit, light industry, audit strategy, audit plan.*

INTRODUCTION

The countries that are progressing in the world are aiming to ensure the stability of the national economy through the innovative development and diversification of production, thereby increasing competitiveness in the global market by exporting manufactured goods. "In 2021, the volume of the global textile market was valued at 993.6 billion US dollars, and it is expected to grow annually by 4.0 percent on average between 2022 and 2030"¹. At present, within the global context, accounting for manufactured products in light industry, evaluating product pricing, and attracting foreign investments have been identified as crucial tasks in establishing accounting and auditing in accordance with international standards.

The sustainable development of the national economy in many countries around the world is recognized as significantly dependent on the financial condition and accuracy of reports of leading economic entities. Numerous scholarly research endeavors have been undertaken to enhance the accounting and auditing of manufactured products, acknowledging their direct relation to the financial status and precision of reports of these entities. The textile and garment enterprises, as well as their divisions, play a crucial role in managing industrial activities. Developing accounting, establishing information databases, formulating the methodological foundations for managing expenses and resources in the general structure of the management system of light industry enterprises, accounting for manufactured products and their sales, advancing their audits, studying the methodological aspects of product realization in the light industry system, and conducting scholarly research to improve accounting and auditing in textile and garment enterprises are considered priority directions.

According to the newly established strategy for the development of Uzbekistan from 2022 to 2026, increasing the effectiveness of foreign investments directed towards light industry enterprises is identified as one of the significant sectors of the economy. The task is set to double the production volume of textile industry products

¹ <https://www.grandviewresearch.com/industry-analysis/textile-market>



and triple the production of leather and footwear products by leveraging modern technology and innovations². Coming out of these outlined tasks, a strategy has been adopted to increase production, enhance benefits, and achieve financial stability through the development of the textile industry enterprises in our country. In this regard, special attention is paid to establishing an accounting and auditing system based on international standards for the purpose of modernizing the operations of textile industry enterprises and diversifying the product range to improve efficiency.

Fulfilling these tasks aims to enhance the export capabilities of our country's light industry, particularly the textile and garment enterprises. It is essential to improve the production infrastructure of light industry enterprises and promote the implementation of innovative technologies to competitively produce a wide range of high-quality products. Consequently, enhancing the methodological aspects of accounting for manufactured products and auditing in light industry enterprises in our country based on foreign experiences is considered one of the pressing issues of today.

LITERATURE REVIEW

The process of planning an audit is one of the stages carried out after the agreement between the client companies and auditing firms.

Economists K. Ahmadjonov and I. Yakubov have expressed the following ideas regarding planning an audit in their academic work: "Planning in auditing is to precisely determine the purpose of the audit examination and develop pathways to achieve that goal. During the planning process, the auditing firm specifies the time, scope, and sequence of the audit. For successful planning, it is essential for the auditor, before conducting the audit examination, to familiarize themselves with the client company and understand its activities. The overall audit plan is based on initial economic and financial information about the client"³.

According to International Standard on Auditing (ISA) 300 Planning an Audit of Financial Statements,' the following guidance is provided for planning an audit: Planning an audit is identifying its strategy and tactics, selecting processes and methods to achieve the most effective approach towards the objective - ensuring the reliability of financial reporting.

Planning an audit is one of the most crucial stages of auditing. On one hand, the degree of effective utilization of specialized experts involved in the audit examination depends on the auditor's level of preparedness for the audit, enabling efficient use of their time and reducing the labor costs of the auditing firm. On the other hand, it reduces the risk of serious financial errors in the client's report. All of the above ensures the competitiveness of an auditing firm in the audit services market.

Planning, being the initial stage of an audit, encompasses the creation of a general audit plan that specifies the expected scope, schedules, and deadlines of the audit by the auditing firm, as well as developing an audit program outlining the scope and types of the audit. This sequence of auditing procedures is essential for shaping the fundamental opinion on the subject's financial reporting"⁴.

Economists N. Sanayev and R. Narziyev addressed the issue of planning an audit: "Planning an audit is carried out in accordance with international standards. If it is necessary to have an assistant for the audit, then there is also a requirement for a plan for supervision. Planning is carried out for the following three reasons:

- a) It is evident that for a quality audit, the auditor must have sufficient information, fulfill legal obligations to achieve the audit objective, and possess good expertise.
- b) Auditing requires a specific allocation of time to conduct such examinations and ensures not only non-bankruptcy but also credibility.
- c) Planning is necessary to maintain communication with clients in the specified order, ensuring adherence to agreements, and for notifying in case of breach or violation"⁵.

² Presidential Decree No. 60 of the President of the Republic of Uzbekistan dated January 28, 2022 "On the Development Strategy of New Uzbekistan for 2022-2026". <https://lex.uz/docs/5841063>

³ K. Ahmadjonov, I. Yakubov. Textbook of the basics of auditing. "Economy-Finance" publishing house. 2010

⁴ No. 300 entitled "Planning an Audit of Financial Statements".

⁵ N. Sanayev, R. Narziyev. Audit science textbook. "Sharq" publishing house. 2001



The complexity of planning an audit ensures the interconnection and coherence of all stages, starting from the initial planning to the overall plan and program of the audit.

The principle of the comprehensiveness of audit planning involves assigning tasks within the auditor team and ensures their alignment and relevance until the establishment of the general plan and program of the audit. When an audit is extended over a long period, the principle of comprehensiveness in planning requires that the auditor organization updates the audit planning documents in due time, taking into account changes in the financial and economic activities of the audited entity and the results of interim audit checks within one year.

The principle of acceptability of audit planning suggests that, based on the identified areas, the auditing organization should ensure the variability of planning to select the acceptable version of the general plan and program of the audit⁶.

ANALYSIS AND DISCUSSION

Re-planning typically begins after the completion of the prior audit or in connection with it, for instance, when discussing issues with management, such as deficiencies in controls or unresolved errors. Such matters might be relevant to the upcoming audit, necessitating consideration during planning.

Likewise, if the audit process continues, it is possible to review and refrain from considering it as part of the main re-planning phase after completion. For instance, during an ongoing audit, significant events might occur, meaning that the audit plan might need modification.

The nature and scope of re-planning activities are contingent upon changes that could arise due to the size and complexity of the audited entity, the prior experience of the auditing organization with the client, and any developments that might occur during the audit.

-International Standard on Auditing 300 specifies the requirement for the auditor to take the following actions at the commencement of the current audit engagement:

Continuing client relationships and performing procedures related to the audit engagement in accordance with international auditing standards; Relevance to pertinent ethical requirements includes assessing the existence of independence.

-Defining the concept of contract terms.

Audit strategy and audit plan. International Standard 300 on Auditing emphasizes the following in the activity of planning an audit:

- Developing an overall audit strategy for the contract.
- Developing an audit plan.

The first steps in the implementation process involve an initial threat assessment. If the aforementioned risks materialize, the primary duty of the auditor is to either eliminate these threats or reduce the level of their significance. These actions are referred to as safeguarding measures.

One of the main objectives of developing an audit strategy is to effectively allocate resources to the audit team, such as utilizing specialists in specific audit directions or establishing a highly experienced team for an assignment with significant risk. If the audit deadline is strict and time-constrained, it is necessary to allocate additional resources to ensure that all necessary audit tasks are completed and to timely assess adherence to the specified deadline.

Below is an outline illustrating the audit strategy in light of the characteristics specific to textile companies.

⁶ Internetdan olingan sayt. file:///C:/Users/Teacher/Desktop/46852.pdf

**1. Development of an audit strategy in textile industry enterprises⁷**

<i>Considerations in developing an audit strategy</i>	Is this client a new client for the audit firm?
	How does the client do accounting?
	Is there a step-by-step production in the client's enterprises and how many steps are there?
	❖ Scope of the client enterprise:
	How many and where are production units, branches, warehouses located?
	What is the number of employees?
	Are there complex transactions and operations
	Are there regulatory legal documents related to the activity of the client company and what is the state of compliance with them?
	Does the client company need other audit work and expert work and the participation of a third Audit of international standards?

The table provided above outlines issues that could attract an auditor's attention during the development of the audit strategy in textile industry companies. These issues and illustrative indicators allow for the creation of a well-organized audit, thereby facilitating effective examination.

Audit Plan: According to International Standard 300 of the audit, after formulating the overall audit strategy, an audit plan can be developed to address various issues identified within the general audit strategy. It's essential for the audit strategy and the detailed audit plan not to be separate or disjointed but to be closely interrelated since changes in one might significantly impact the other. Therefore, the preparation and finalization of the audit strategy and audit plan should be a collaborative process, not separate initiatives.

An audit plan is an elaborate program detailing how each aspect of the audit will be conducted. Essentially, it elaborates on the specific processes that need to be executed to implement the strategy and conclude the audit.

The International Standard 300 specifies what should be included in the audit plan and highlights that the audit plan should cover the following:

- Nature, timing, and extent of procedures for assessing identified risks.
- Nature, timing, and extent of subsequent audit procedures in response to assessed risks and other audit procedures that are responsive to those risks.
- Other processes related to understanding the business, assessing risks, procedures responding to identified risks, and other mandatory audit procedures.

Normally, the audit plan encompasses sections related to understanding the business, assessing risks, procedures responsive to identified risks, sections dealing with responses to identified risks, and other mandatory audit procedures.

"Next stage encapsulates the production of finished products from semi-finished ones. In auditing this process, the auditor initially determines the quantity of semi-finished products transferred from the yarn production department to the spinning department, the actual consumption of raw materials in spinning, the quantity of recycled raw materials returned for reuse, the actual quantity of returned semi-finished products, identifies expenses directly related to correct labor inputs entered in the production cost, and verifies other expenses directly incurred in production. In verifying the actual consumption of raw materials, the auditor should examine the standard norm of materials in production, that is, ascertain how much yarn and other materials are used in producing a unit of finished spinning products, acquire information from the enterprise and check its compliance with standard requirements.

⁷ Author development.

Picture 2 diagram illustrates the auditing process of this stage.

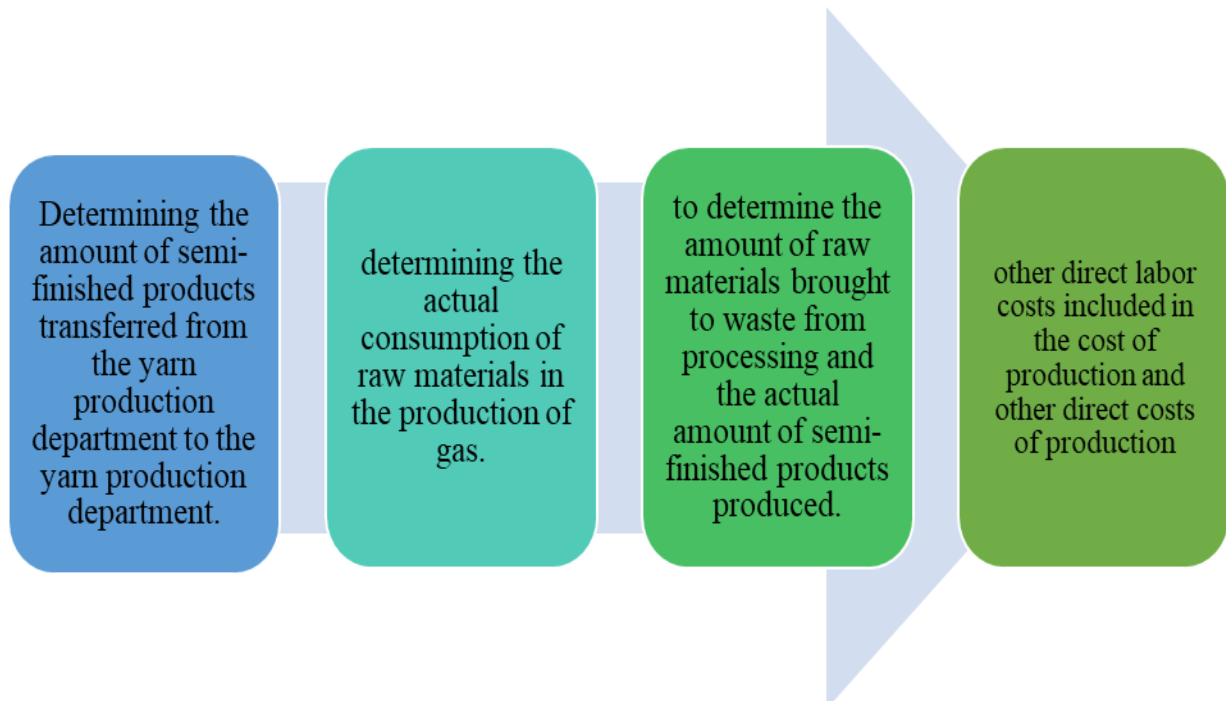


Figure 2. Check sequence of gas production stage ⁸

During the audit of this stage, the auditor uses the following audit evidence:

- Financial statements;
- Card of raw materials issued for production;
- Standard of raw materials;
- Card of waste products allowed in processing, etc.

The audit of the processes related to the dyeing and drying of gauze constitutes the third stage of the production of finished products. During the inspection of this stage, the auditor determines the amount of semi-finished products transferred from the production department of gas products to the dyeing and drying department, the actual consumption of raw materials in the processes of dyeing and drying gas products, the amount of semi-finished products released during dyeing and the actual amount of semi-finished products produced, other items included in the cost of production consists of determining and verifying the amount of costs related to the correct labor wages and other costs directly related to production. When checking the actual cost of dyeing gauzes, the auditor should study the standard of raw materials used for dyeing and drying, that is, how much paint and other raw materials are used to dye one unit of gauze, get information about this from the enterprise and check whether it meets the standard requirements.

⁸ Development of the author.

Figure 3 shows the process of auditing this stage.

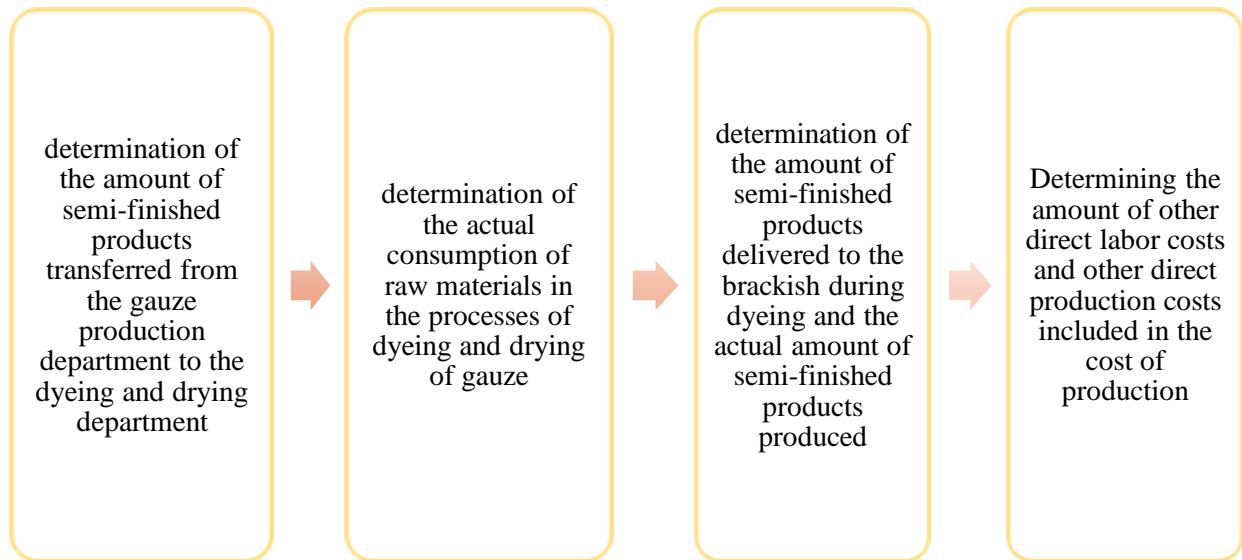


Figure 3. Check sequence of gas production stage⁹

At the last stage, textile products are produced from the finished dyed fabrics. During the audit of this process, one of the aspects that the auditor should pay attention to is recalculation of the costs of scrap products, monthly wages paid to workers and other costs of products, which may be allowed during the production of finished products, checking and responding to the quality level of manufactured products. or not (Figure 4).

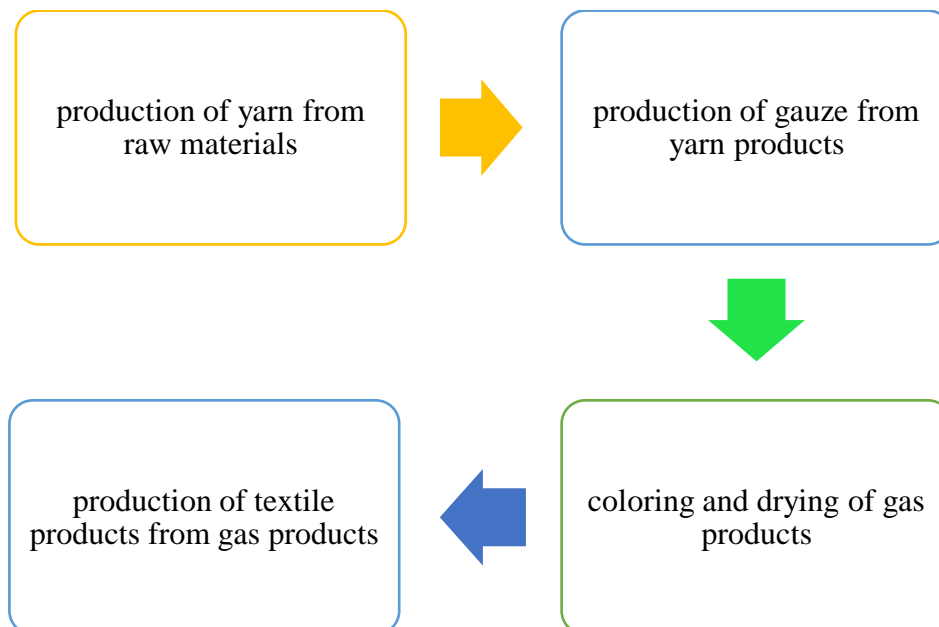


Figure 4. The sequence of conducting an audit of finished products during the stepwise production process¹⁰

Based on the information provided, it can be summarized that the production of textile products in the spinning industry involves several stages. Each stage contributes added value, creating a chain of added value for the final product. Additionally, the unique aspect of the produced finished products at each stage lies in the presence of errors, deficiencies, deceit, and other conditions, significantly impacting the product's price and quality. Moreover,

⁹ Development of the author.

¹⁰ Development of the author.



any inaccuracies in reporting these finished products, which are an essential element of financial reports, can result in misleading information in the reports.

CONCLUSION

Changes to Audit Strategy and Audit Plan. Following the completion of the audit reassessment stage, the audit strategy and audit plan may not be identified. As the audit progresses, it is crucial that both are continuously updated and revised as necessary. For instance, unforeseen events or changes in circumstances might necessitate an alteration to the overall audit strategy and audit plan. Such instances reveal information that significantly deviates from the information available at the time of the initial drafting of the audit strategy and plan. For instance, an event that occurs after the audit reassessment may cast doubt on ongoing operations, or additional information may emerge during the execution of reassessed audit processes, potentially altering an auditor's assessment of the initial risk or the significance of the entire or part of the audit.

Documentation. As stipulated in International Standard on Auditing 300, comprehensive documentation of the audit strategy and audit plan is necessary to record significant changes made to these documents. Documentation holds immense importance because the key decisions regarding how the audit is conducted are present in the audit strategy and audit plan. Therefore, as discussed earlier, it is the responsibility of the auditor to incorporate into the documentation any significant changes that occur throughout the audit.

Separately Documenting Audit Strategy and Audit Plan is Not Required. Some audit firms use memoranda or checklists, while others rely on a register of procedures. Some adapt standardized audit programs, while others tailor documents to suit each audit engagement. The form of documentation may not be crucial if it provides clear information about how the audit has been reassessed.

Supervision, Review, and Inspection. International Standards on Auditing 300 require the leadership and supervision of the engagement team in terms of performing, reviewing, and inspecting work, as well as the nature, timing, and extent of these activities during the audit reassessment. Within the audit plan, it is essential to capture detailed information on how the supervision and review are to be conducted during the audit for high-quality audit execution. Inadequate supervision and review may lead to errors by the audit team.

The extent of the details included in the audit plan concerning supervision and review is contingent upon the size and complexity of the audited entity, the assessed risk of significant misstatements, and the capabilities and expertise of audit team members.

Audit Reassessment encompasses more than just understanding the business and evaluating risks. Reassessment is a dynamic process that may evolve during the audit, responding to changes in the conditions of the object under review. Aligning with International Standard on Auditing 300 is essential in formulating the audit strategy and plan.

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