



**KEY THEORETICAL ISSUES IN THE AUDIT OF BUSINESS ENTITIES WITHIN  
THE FRAMEWORK OF INTERNATIONAL STANDARDS**

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**Abstract**

This paper explores the key theoretical issues in auditing business entities within the framework of International Standards on Auditing (ISAs). It examines the challenges of harmonizing international audit practices, implementing standards in diverse economic and legal environments, and ensuring their applicability to entities of varying sizes and complexities. The study also analyzes the role of auditor professional judgment, the quality and reliability of audit reports, and the effectiveness of communication with stakeholders. Addressing these theoretical problems is essential for improving audit quality, enhancing transparency, and strengthening investor confidence in financial reporting at the global level.

**Key words**

audit, international financial reporting standards, accounting, financial reporting, international Standards on Auditing (ISA), audit theory, business entities, audit quality, auditor professional judgment, financial reporting, international auditing practices

Auditing the activities of business entities plays a key role in ensuring transparency and trust in financial information, which is especially important in the context of globalization and integration of economies. With the transition to international financial reporting standards (IFRS), auditors face new theoretical, practical and methodological challenges.

The relevance of this topic is due to the need to adapt audit practices to international requirements, which requires a deep understanding of both the theoretical foundations of auditing and specific methods of its implementation. In this article we will look at the main problems that auditors face in the process of applying international standards, and also propose possible ways to solve them.

In our republic there is a process of transition to international accounting and auditing standards, which is evidenced by legislative documents. Resolution of the Cabinet of Ministers of the Republic of Uzbekistan dated April 11, 2022 No. 171 “On approval of the Regulations on the approval of international auditing standards in the territory of the Republic of Uzbekistan” was adopted. This document was prepared in accordance with the Decree of the President of the Republic of Uzbekistan dated 08/04/2021 No. PP-5210 “On additional measures to improve the auditor certification system.”

An audit is a systematic examination of the financial statements of organizations in order to confirm their reliability and compliance with established standards. In the context of globalization and increasing interdependence of economies, auditing is becoming an important tool for increasing confidence in financial data. It allows investors, lenders and other stakeholders to make informed decisions based on reliable information.

International Financial Reporting Standards (IFRS) were developed to unify approaches to financial reporting around the world. They provide uniform accounting and reporting rules, which contributes to a more transparent and comparable analysis of companies' financial results.

Application of IFRS requires auditors to have a thorough understanding of these standards and the ability to evaluate their application in specific circumstances. Auditors should be prepared to assess the risks associated with the use of IFRS and to identify and address potential inconsistencies.

Over more than a century of auditing history, economically developed countries have developed a system of rules, regulations and requirements, adherence to which helps improve the quality and reliability of the audit. In the economic literature, there are conventionally five periods of formation of the world audit practice Galuzina S.M., Pushist G.F., International accounting and audit. St. Petersburg: Peter, 2006.- 272 pp.:

➤ the first period is associated with the adoption first in England in 1844, and then in France in 1867. a number of laws providing for the need for independent accountants to verify accounting accounts and reports;

➤ the second period covers the years 1805-1905, when audit at first was close to audit activity and was aimed at assessing the effectiveness of organizations, detecting errors, and with the development of the stock market it became an independent industry; at this stage, the United States acted as the center for the formation of transatlantic audit firms;

➤ third period - from 1905 to 1933. - characterized by an intensification of the process of concentration of capital, separation of interests of owners, hired managers and hired personnel; in these conditions, the ideology of auditing is changing, the main emphasis is shifting to the use of statistical samples, assessing the effectiveness of internal control and management systems;

➤ the fourth stage lasts until 1940, it is characterized by strengthening the requirements for the quality of the audit, the inclusion of a testing method in audit practice, the purpose of which was to detect intentional accounting errors, and the development of audit methodology; during the same period, the influence of the New York Stock Exchange increased, one of the requirements of which for its participants was compliance with mandatory audit requirements;

➤ the fifth period from 1940 to the present is characterized by the dynamic development of stock markets and transnational corporations, as well as the deepening of world economic ties, which leads to the need to develop unified requirements for the quality of audit, the procedure for its implementation and professional ethics.

International Standards on Auditing (ISAs) provide a common framework that all auditors must follow in the course of their professional activities. International Standards on Auditing promote two objectives:

- Development of auditing in countries where the level of professionalism is lower global standard;

- Where possible, international unification of audit approaches.

The need for a unified approach to auditing is recognized by the majority professionals in the field of auditing and accounting several objective reasons:

a) firstly, the evolution of auditing standards was largely influenced by the development of financial accounting standards (the development of generally accepted accounting requirements and principles leads to the unification of reporting and opens up the possibility of applying a unified approach to auditing);

b) secondly, the development of generally accepted standards is facilitated by the growth of monopolies in the field of auditing and consulting services (currently the largest market share in this area belongs to no more than 10 large companies and associations);

c) thirdly, auditing standards exclude the possibility of a "poor audit." This is due to the fact that auditing standards, guided by them, oblige auditors to perform at least the minimum necessary audit procedures. The auditor's work can be verified by examining his working papers.

As a basis for assessing the quality of audit services, auditing standards provide users of financial information with some confidence that the auditor will not misrepresent the information and that the audit will be conducted in good faith. This is the role and significance of auditing standards.

As a result, the development of international auditing standards is influenced by both external and internal factors.

External development factors include: the development and deepening of global economic relations, the creation of transnational corporations and the unification of accounting and reporting principles

Internal factors for the development of international auditing standards are determined by the needs of the audit organizations themselves.

Growing concentration of capital in the audit and consulting industry, with more than 90% of the market owned by 10-12 large audit firms, and the ongoing process of mergers. Unification should help improve the quality of audit services, which requires the development of uniform strategies and methodologies for auditing and consulting, as well as uniform quality standards.

Council for International Auditing and Assurance Standards - Auditing and Assurance Standards Board (IAASB). The Council protects the public interest by developing high quality standards governing conduct.

International Standards on Auditing (ISA) are intended to be used when conducting an audit of financial statements (as amended by the IAASB - historical financial information).

The objectives of the ISA are:

- ISAS provide a certain degree of quality assurance in relation to the training of auditors, the conduct of the audit and a certain level of confidence in the audit results;
- Standards contribute to the introduction of new scientific results into the practice of auditors and create a valuable public image of the auditing profession;
- Auditing standards are associated with each element of the audit process and allow you to control the quality of the auditor's work;
- Consistent application of auditing standards provides convincing evidence and arguments in favor of the auditor when considering litigation claims based on client complaints.

In conclusion, it can be noted that theoretical, practical and methodological problems of auditing the activities of business entities based on international standards require an integrated approach to solution.

The need to harmonize national and international standards, improve the professional training of auditors, as well as adapt practical methods to the specifics of various sectors of the economy remains an urgent task. Resolving these issues will help improve the quality of the audit, increase confidence in its results and strengthen the role of audit as a control and management tool.

As part of solving theoretical, practical and methodological problems of auditing the activities of business entities based on international standards, the following recommendations can be offered:

- Theoretical aspects: an in-depth study and systematization of international auditing standards (ISAs) is necessary in order to adapt them to national practice. This includes the development of unified approaches to the interpretation of standards, which will ensure a uniform understanding and application of standards in practice;
- Practical recommendations: The introduction of international standards into national auditing practice should be accompanied by the improvement of methods for assessing risks and monitoring the quality of auditors' work. It is important to conduct regular professional development and training for auditors to ensure compliance with ISA requirements;

➤ Methodological recommendations: Development of methods that take into account the specifics of national economic conditions, as well as their integration with international standards. It is recommended to introduce automated systems and digital technologies to improve the accuracy and efficiency of audit procedures;

➤ Development of a professional community: The creation of professional communities and platforms for the exchange of experience and best practices among auditors will improve interaction between professionals and accelerate the adaptation of international standards in domestic practice.

These proposals will help overcome existing barriers and improve the quality of audits of business entities, ensuring compliance with international requirements and trust from stakeholders.

Thus, the key theoretical issues in the audit of business entities within the framework of ISA require a comprehensive approach, including the improvement of standards, auditor training, adaptation to national specificities, and enhancing the transparency of reporting. Addressing these issues provides a foundation for the further development of international auditing, strengthening investor confidence, and improving the quality of financial information at the global level.

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