

Characteristics of Audit in Construction Organizations

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ABSTRACT

Today, the development of accounting and auditing in Uzbekistan creates an urgent need to analyze it in some segments of the local economy. Improving international auditing and increasing the size of the construction sector requires the constant participation of not only government agencies, but also specialized organizations in shaping the overall legal framework for auditing. The relevance of this article is that the audit of all construction organizations is being reformed at a high rate. This factor stems from the changing objective criteria for the implementation of construction, including the active integration mechanism for solving problems of a global nature, its spread to countries with modern economies and international associations, using innovative technologies. and increasing the performance of international auditing standards. Thus, it can be said that our country needs a modern approach to the essence of the function of accounting and financial management and its main element - audit. At the present stage, both domestic and international construction companies are developing very rapidly. There is a significant increase in investment in the construction sector, which encourages the reorganization and reconstruction of various types of facilities. Then the criteria for the quality of accounting (financial) reports, their reliability and audit activity will be strengthened.

KEYWORDS: *audit, construction, costs, international auditing standards, estimate, investor, developer, accounting documents*

INTRODUCTION

Audit of construction companies is one of the key elements of effective control over the quality of management of the company and the quality of economic activity. This audit is important to assess the company's ability to meet the requirements of the customer and other parties to the construction project.

In this sequence, many businesses and monetary resources in the construction industry can serve as an example of providing high criteria for organizing control over their costs.

Features of the audit of construction companies

Construction companies organizations that carry out the construction, reconstruction and overhaul of various types of facilities. Construction products are considered completed and ready for the commissioning of new and reconstructed industrial organizations and workshops, residential real estate, public buildings and other facilities.

The main features of the contractor's construction and installation companies include:

- immobility and strengthening of the territory of construction products, as a result - the mobility of the contractor and tools;
- Complexity of coordination of construction activities;
- extended production cycle;
- The impact of natural resources and the strengthening of environmental criteria, the complexity and cost of construction projects, different methods of implementation of construction projects (delivery of work performed) and the identification of financial indicators, as a result have a significant impact on their formation.

Construction audit is an integral tool of quality management of a construction company. The concept of audit and its organization in the construction market industry has certain differences from the audit of other aspects of activity. First of all, it depends on the specifics of construction projects. Thus, it can be said that a construction audit covers two important

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areas: a construction organization audit and a construction project audit.

The organization of the implementation of each project in the modern construction industry of the Republic of Uzbekistan can be characterized by a specific scheme, consisting of key players in the construction industry - investors, customers, contractors, developers and others. Figure 1 details

one of the typical schemes of interaction between construction project participants.

A construction company audit helps to analyze the ability to implement construction projects now and in the future with an approved quality indicator. In turn, a project construction audit assesses an organization's ability to achieve specific project assignments.

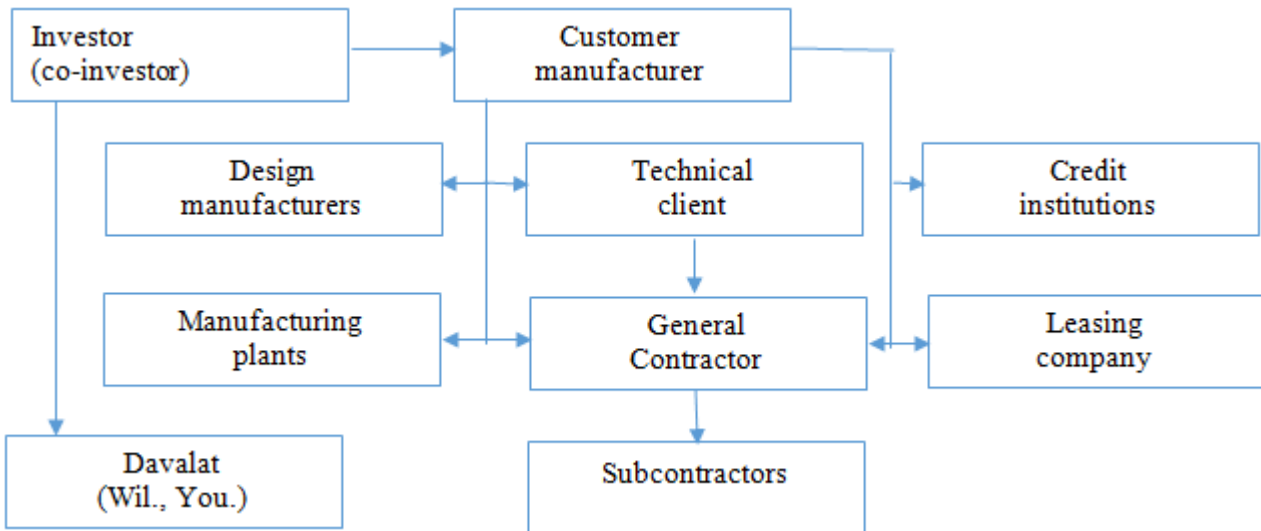


Figure 1: A typical diagram of the relationship between construction project participants.¹

The review classification of the construction audit suggests that strengthening and deepening the review of the applicable audit procedure will help identify current types and objectives of the construction audit.

Figure 2 shows a diagram of the developer's relationship with other participants in the construction project during project implementation.

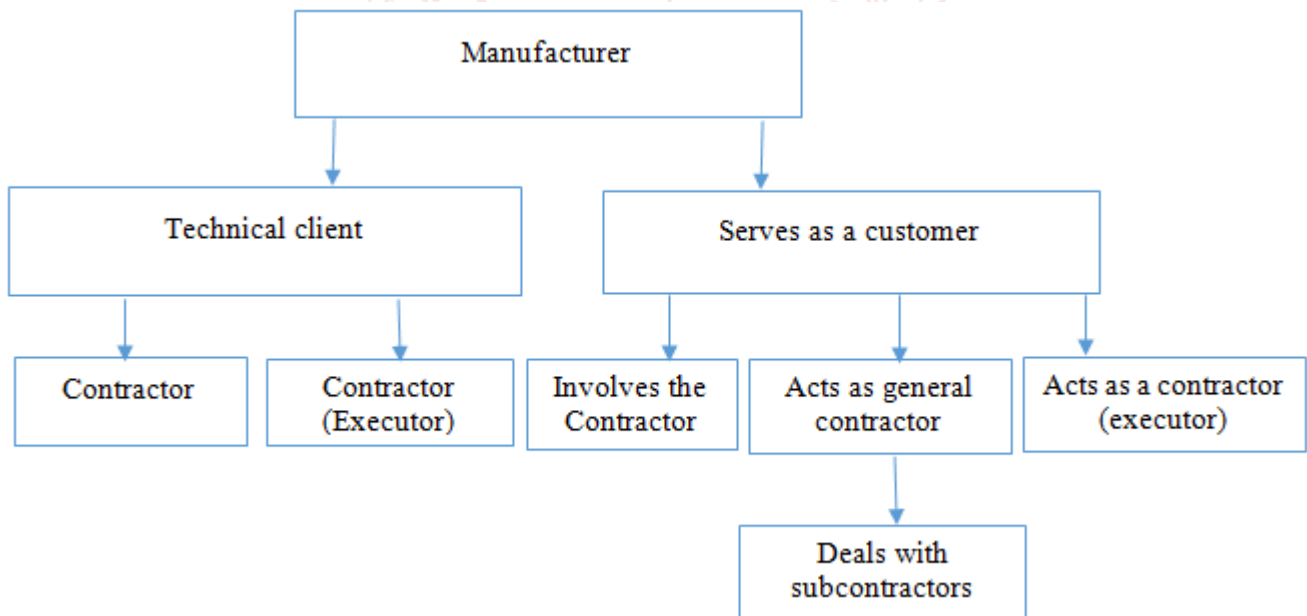


Figure 2: Schematic of the relationship between the developer and other participants in the construction project.²

The multifaceted representation of industry by business entities makes it almost impossible to carry out construction with the resources of an organization, and businesses are more likely to seek help from other

¹ Developed by the author.

² Developed by the author.

companies. Basically, this contractor is not only the final but also one of the most important elements of the construction project implementation chain.

Consequently, the construction audit of companies performs not only a market infrastructure tool, but also a social function, which gives a high value to the quality of such services and defines specific tasks:

1. analysis of the impact of regulations and organizational structure on the audit mechanism;
2. study the impact of estimated standards on internal audit control and accounting;
3. identification of common errors that affect the correct structure of the accounting of income and expenses of construction organizations;
4. to study the rationality of the formation of organizational reserves in the unstable conditions of economic development.

Both at the planning stage and as a result of the audit, the specialization of the construction company to determine the scope of selection and audit services for the auditor, the classification of contracts, including the performance of specially designed functions (combining the functions of general contractor, subcontractor, investor and customer-manufacturer).

Auditing problems in construction companies.

Today, the rational organization of the cost accounting system is becoming one of the main problems of many construction companies and requires urgent intervention. The importance of capital construction cost planning, effective accounting and control is formed by the fact that the activities of construction companies meet the criteria of transparency, as well as the growing demands on the system. reliable information for management decisions. This information is especially needed by the subjects of investment projects that provide capital construction activities, ie investors. To help solve this problem, construction companies are increasingly trying to contact audit firms.

After reviewing the organizational system and structure of the books, it can be concluded that in order to conduct an audit, a qualified professional must have sufficient knowledge of the consequences of subsequent errors in the accounting methodology. The main typical irregularities that significantly affect the organization and accounting of construction costs:

- Violation of the rules of mutual settlement between the participants of the construction project, which leads to incorrect conclusion of contractual obligations and incorrect reflection of costs in the accounting;
- errors detected during the unfinished inventory;
- non-recorded deviations from the standards in the production of construction and installation activities;
- Violation of tax legislation.

When examining the costs of construction companies, it is important to take into account the specifics of the industry as a result of developing an audit plan and program on some elements:

- Compliance with regulatory documents and standards within the firm in the field of planning, accounting and regulation of construction bills;
- Analysis of the rationality and audit risk of the internal control system with a prolonged production cycle;
- the need to involve a specialist to analyze the volume of unfinished construction;
- implementation of meaningful audit procedures that help to analyze the rationality of the formation of cost indicators in the financial statements.

According to the Ministry of Finance, the audit in the construction sector has a special place.

On ensuring the implementation of the Decree of the President of the Republic of Uzbekistan dated May 27, 2019 No PF-5729 "On measures to further improve the anti-corruption system in the Republic of Uzbekistan" by the Prosecutor General of the Republic of Uzbekistan Paragraph 4 of the Roadmap, approved on 30 August, provides for "compliance control" within the Ministry of Construction to strengthen anti-corruption measures in the Ministry of Construction with the involvement of foreign experts through a UNDP-supported competition.) system.

In accordance with the Decree of the Cabinet of Ministers of the Republic of Uzbekistan No. 72-f of February 17, 2020, the Prosecutor General's Office of the Republic of Uzbekistan and the Ministry of Construction with the support of the United Nations Development Program "A number of measures have been taken to implement the decree on the introduction of the system.

In the first phase of the work carried out in collaboration with the experts of the international audit company KPMG (Italy), 25 laws and internal documents of 30 ministries related to the construction sector were analyzed. KPMG experts also conducted 40-hour interviews with 27 heads of ministries and departments, identified 70 causes of corruption in the system, and developed 50 recommendations by foreign experts to address them. As a result, KPMG experts prepared a general report on the activities of the ministry.

Taking into account the existing risks, KPMG experts prepared a report on the structural units of the Ministry, and on the basis of these recommendations, developed a "Roadmap" to increase the effectiveness of measures to prevent the causes and conditions of corruption in the ministry. approved by Ministerial Order No. 49 of 9 March 2021.

The Roadmap consists of 7 chapters and 76 paragraphs, including:

1. Development and improvement of normative legal acts;
2. Development and improvement of internal documents;
3. Organization of compliance control function;
4. Information and dissemination on anti-corruption issues;
5. Automation;
6. Organizational measures to improve the performance of the functions of the Ministry;
7. Other measures are envisaged.

At present, on the basis of the order of the Minister, all organizations within the ministry have developed a "Roadmap" adapted to the internal order, with specific executors and deadlines, and aimed at implementation.

Resolution of the Cabinet of Ministers of the Republic of Uzbekistan dated May 20, 2021 No 321 "On measures to radically reform the activities of customer service in the field of capital construction."

The Anti-Corruption Agency of the Republic of Uzbekistan is also working on the implementation of the "Road Map" measures approved on December 24, 2020 for the implementation of the project "Sector without corruption" in the field of public procurement.

Ensuring the implementation of the Resolution of the Ministry of Construction of the Republic of Uzbekistan dated May 28, 2021 "On the Committee on Combating Corruption and Judicial Issues of the Legislative Chamber of the Oliy Majlis of the Republic of Uzbekistan" Work is underway on the implementation of the "Road Map" measures approved by the order of the President of the Republic of Uzbekistan No. 114.

Resolution of the Committee on Combating Corruption and Judicial Issues of the Senate of the Oliy Majlis of the Republic of Uzbekistan "On activities to combat corruption in health, education and construction" The "Measures" plan approved by the order of the Minister of Construction dated September 15, 2020 No. 250 is being developed and implemented.

On the eve of significant changes in the market of audit procedures - the Law "On Auditing" was adopted on 25.02.2021. It is also planned to increase the number of organizations subject to mandatory audits, increase the criteria for entering the audit market and approve the reports of banks and other enterprises controlled by the Central Bank, complicate the possibility of verifying the data of specialists. Financial reporting of socially important business entities, changing the model of self-governance in the financial market to increase the responsibility of the SRO. The ultimate value of the reform will be a reduction in the severity of the old task, such as the departure of small organizations, the concentration of market instruments, and subsequent dumping.

Table 1: Distribution of clients of audited organizations by types of economic activity (in %).

Industry name	Share in the total number of customers	
	2019	2020
Total number of customers of them:	100,0	100,0
➤ mining	1,9	1,9
➤ generation, transmission and distribution of electricity	2,6	2,2
➤ construction	9,0	8,8
➤ transport and communication	4,3	4,2
➤ wholesale and retail trade	18,4	18,2
➤ financial activity	1,7	1,4

The construction industry in Uzbekistan is gradually developing. The situation stabilizes profitability indicators and at the same time shows the attractiveness of the construction business for new capital investments. Construction audits in organizations are also determined by the specifics of the production process, organizational responsibilities, accounting in construction, and the purpose of the industry associated with taxation in that area.

The main challenge for many companies in the construction sector is to develop an audit system in the construction segment, which is shaped by the need to plan, account for and regulate capital construction-related costs. As a result of increasing criteria for obtaining reliable and dependable data, the activities of all construction companies should be transparent. Thus, the main task of a construction audit is its ability to help solve problems.

At the present stage, summarizing the main directions of development of accounting and auditing of construction companies, it is necessary to take into account that their prospects depend on certain factors:

- strengthening the preventive direction of the audit;
- strengthening the importance of construction as an important element of scientific and technological progress;
- focus on the analysis of the rationality and efficiency of employment contracts;
- Development of modern science-based methodology of accounting and auditing;
- inspection of employment contracts;
- Improving the skills of specialists and improving the ethical standards of their work;
- The impact of computer technology for data verification, processing, evaluation and forecasting.

Another problematic aspect of audit is the need for scientific support for construction audit practice. Without a scientifically based approach to professional independent audit, the profession itself would not have historical significance, but would be reclassified to centralized fiscal control.

Conclusion

It is necessary to draw a number of key conclusions that highlight important aspects of the scientific results obtained as a result of the research.

The study of the audit of the construction industry allows to determine the most accurate and reasonable information in the accounting activities, both for the

whole object and for individual contractual obligations, and the interrelationship of this object to identify shortcomings. allows scanning. formed in other accounting industries. A construction audit helps to determine the objectivity of the impact of certain types of assets and liabilities on the creation of the value of individual contracts, the costs incurred, and the resulting level of reliability of financial performance.

Auditors should have a single set of tools. A program designed to examine income and expenses under employment contracts includes a set of audit procedures, a set of criteria for an audit, as well as the regulatory and audit tools necessary to perform the work. Modern practical tools should not be permanent, it can be adjusted in accordance with the changes in the legislation on regulation, the development of the economy in general, the achievements of science and technology.

The main problems of auditing are: imperfect and outdated legal basis for construction audits, reduced budgets of organizations for audits, reduced cost of such procedures due to increased demand and competition. The country's investment attractiveness, corruption in the field of auditing, low solvency of potential client companies, low awareness of the profession in society. The sooner the manager conducts a construction audit and management performance analysis, the clearer the economic benefits will be and the more important problems will be able to be addressed in the subsequent operation of the facilities.

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