



## Assessment of Continuity of Activity in the Audit Inspection in Construction-Contract Organizations

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**Abstract:** The article examines the importance of improving the continuity of operations in the audit of construction and contracting organizations. As a result of the research, the problems of business continuity were identified during the audit of the construction and contracting organizations, and suggestions for their elimination were developed.

**Keywords:** Construction, construction contracting organization, accounting, financial reporting, fraud, business continuity.

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### Introduction

In the world, special attention is paid to scientific research on the organization of accounting and auditing in construction and contracting organizations on the basis of international standards. In these studies, classification of costs in construction and contracting organizations, retrospective application of accounting policy, compilation of segmental reports, improvement of the procedure for recognizing revenue from contracts with customers in accounting for financial results, use of fair value in the assessment of assets and liabilities, introduction of international standards of financial reporting, perfecting the calculation of estimated and contingent liabilities, applying analytical procedures in the audit of construction-contracting organizations, assessing continuity of operations and events after the reporting date, assessing risks in cases of significant fraud-related misstatements, drawing up modified audit conclusions such directions are gaining priority.

Forms of financial reporting and their components are strictly established in our country. In addition, the national standards of accounting state that situations not disclosed in the forms of financial statements should be explained in the comments. However, important aspects of the activities of economic entities are not disclosed in the notes to the financial statements. These cases should be revealed in audits from the perspective of ensuring business continuity.

### Literature Review

Special attention is paid to the issues of ensuring continuity of activity in the scientific work of foreign and domestic economists.

According to National accounting standards (NAS) No. 1 entitled "Accounting Policy and Financial Reporting", "preparation of financial statements based on the principle of continuity means that the business entity acts continuously and continues its activities for an uncertain long period, that is, the business entity does not need to liquidate itself or reduce the scope of its activities. means" [1].

According to Indonesian economists, "the auditor should use 3 assumptions when drawing up the auditor's conclusion on the continuity of activity. They include assumptions about financial indicators, assumptions about operational indicators and other assumptions" [2].

According to Adela Sokol, "continuity of activity is an important principle of accounting in the preparation of financial statements. Also, assessing the continuity of activity determines the level of responsibility of the auditor and is an important condition for ensuring the quality of the audit" [3].

Another group of economists says that "continuity of activity is one of the main concepts of financial reporting. The management of the company should prepare financial statements using the principle of continuity of activity. The use of the assumption of continuity of activity in audits ensures reliable disclosure of information in financial statements" [4].

In the research work conducted by F.Sh. Ochilov, "the development of the classification of errors and violations in the audit of liabilities based on the requirements of international audit standards, using analytical procedures, prevents fraud in business entities, ensures their financial stability and business continuity, reduces the labor spent on audits and it serves to reduce time costs" [5].

In the studies carried out by A.Z. Avlokulov, it was emphasized that continuity is one of the important principles of accounting, and the following conclusions were formed: "the correct management of financial results and the reliability of the report on financial results largely depends on the timely, correct and accurate application of accounting principles. First of all, the continuity of activity, consistency of income and expenses during the reporting period, matching of the received income with the spent expenses and principles of prudence serve to ensure the reliability of accounting information about financial results" [6].

BNSayfutdinov stated that "the assessment of continuity of activity is the subject of the auditor's professional judgment and is related to the formation of an opinion about events that may not be determined at a certain time on the date of drawing up the financial statements. Disclosure of the future prospects of the economic entity will depend on a significant increase in audit risk. Therefore, the need to identify and assess various risks that affect operations and depend on continuity occurs at all stages of the audit and requires the auditor's attention" [7].

### **Analysis and Results**

The above-mentioned conditions have caused the need for the services of auditors with special knowledge, experience and qualification certificate.

According to the Law of the Republic of Uzbekistan "On Auditing Activities", "reliability is understood as the degree of accuracy of financial reporting data, which, on the basis of this report, determines the financial condition of the economic entity and the results of financial and economic activity. makes it possible to make unbiased conclusions about<sup>1</sup>.

The lack of effective organization of the accounting service and internal control system in economic entities leads to an increase in control risk. An example of this is the lack of highly qualified staff in the accounting service, duplication of duties. In addition, the inability of the internal control system to detect errors and frauds increases the audit risk.

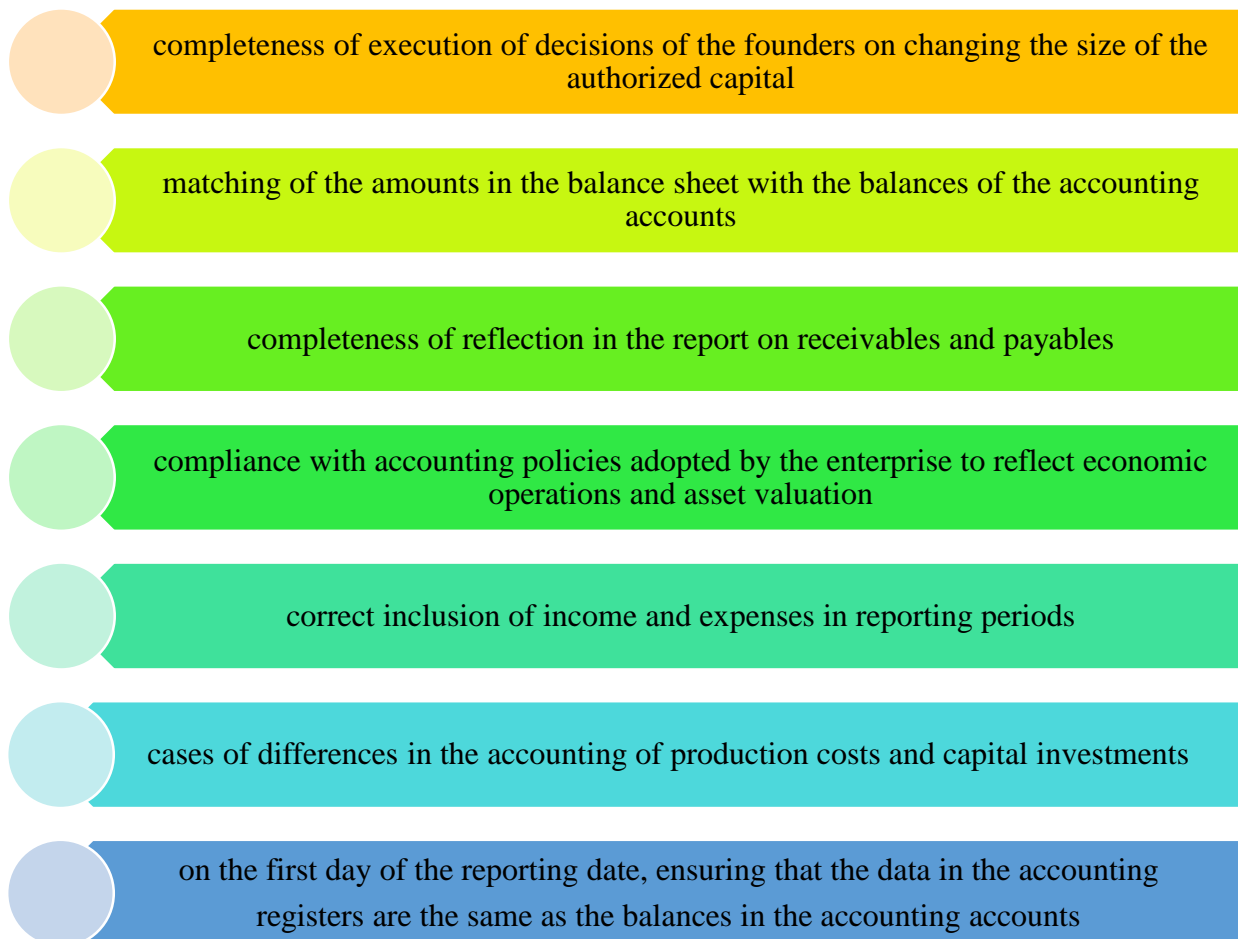
Cases of fraud are common in the countries of the world today. Many companies suffer huge losses due to fraud. In particular, cases of fraud such as asset misappropriation, corruption and cybercrime are increasing day by day.

When drawing up the audit report and report, the following is checked (Fig. 1): At the end of the audit, attention is paid to the extent to which the decisions made at the general meeting of the founders have been implemented. In particular, the implementation of decisions on increasing or decreasing the size of the authorized capital, as well as on the distribution of net profit, should be taken into account at the end of audits.

The existence of uncertain situations in the activity of an economic entity seriously affects the formation of the auditor's opinion. These circumstances include the presence of assessed and contingent liabilities. Also, events after the reporting period affect the continuity of operations.

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<sup>1</sup>Law of the Republic of Uzbekistan "On Auditing Activities".



**Figure 1. Aspects that should be checked in the preparation of the auditor's conclusion and report<sup>2</sup>**

When forming an auditor's opinion on the audit of financial statements, it is necessary to check the consistency of the amounts in the balance sheet items with the entries in the accounting accounts. At the end of the reporting period, the auditor should verify that the transit accounts are closed, as well as the balances of contractual and contrapassive accounts are deducted. Accounts receivable and payables should be checked separately during audits. When examining these types of debts, it is necessary to pay attention to their duration. The presence of overdue debts has a negative impact on financial stability and business continuity.

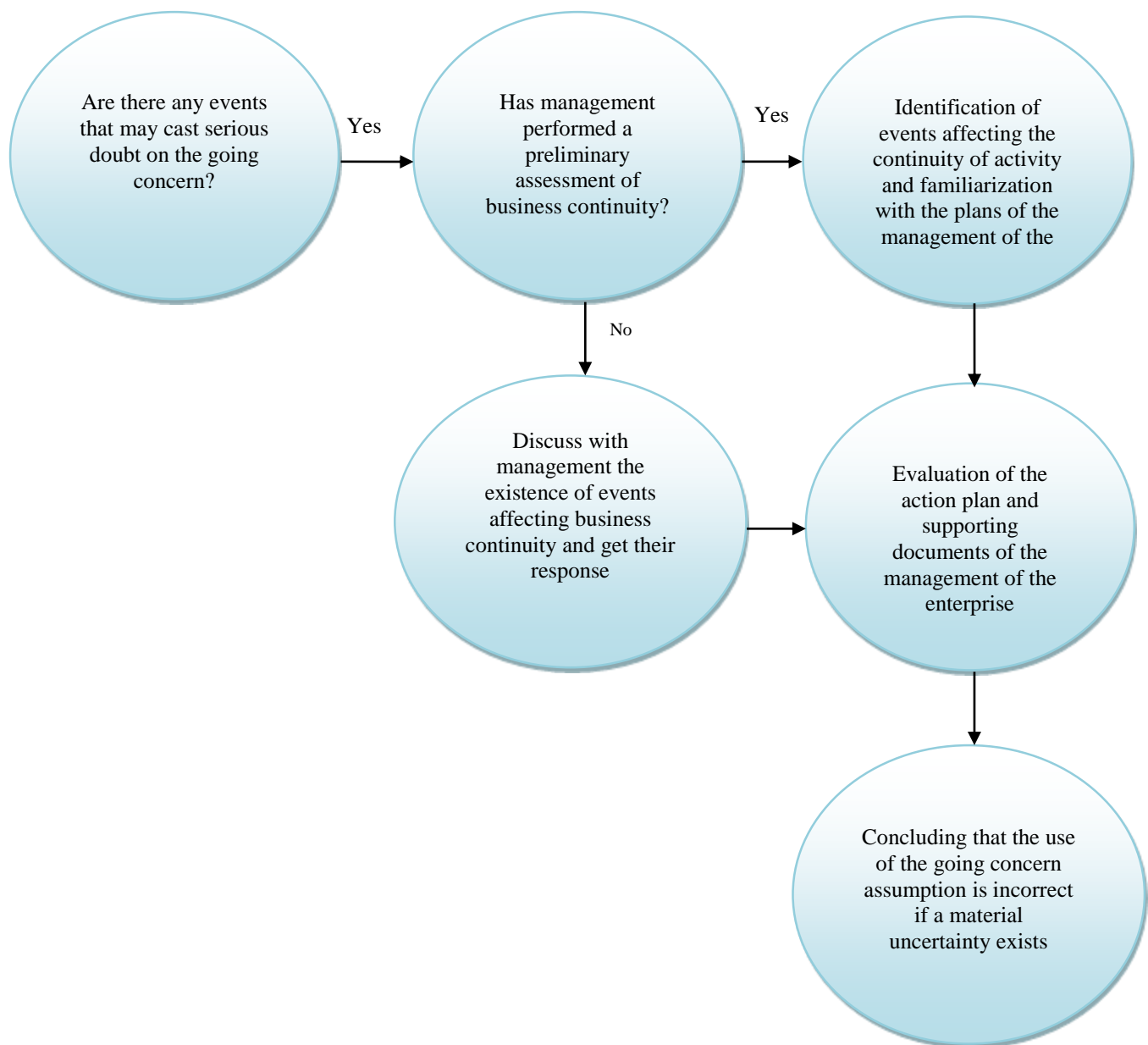
At the final stage of the audit, analytical procedures are used in order to form a general conclusion about the continuity of activity. These conclusions help form an opinion about the reliability of financial statements and serve to determine the direction of the audit.

At the end of the audits, the working documents prepared by the auditors are summarized and the results of the audits are evaluated, and the auditor's conclusion is formalized.

Due to the fact that the activities of construction-contracting organizations are prone to fraud, it is necessary to pay special attention to the assessment of business continuity. As a result of the research, an algorithm for assessing the continuity of activity was developed.

The application of the business continuity assessment algorithm in the audit of financial statements of construction and contracting organizations serves to provide a correct assessment of the activity of the client's enterprise and formalize a true auditor's conclusion.

<sup>2</sup>Author development.



**Figure 2. Algorithm for assessment of continuity of activity in construction-contracting organizations<sup>3</sup>**

#### Conclusion

The formation of a reliable auditor's opinion during audits is directly related to the careful and correct planning of the audit of financial statements.

Any audit requires a going concern assessment. Business continuity depends on many factors, and it is necessary for the auditor to pay close attention to these factors during the audit. As a result of research, an algorithm for assessing the continuity of activity in construction-contracting organizations was developed. The correct application of this algorithm makes it possible to correctly assess the continuity of activity.

Appraised value is determined in relation to assets and liabilities of uncertain value in economic entities. Determining this value can be both objective and subjective. In any case, this value must be determined reliably and reasonably. As a result of the research, an algorithm for determining the correctness of the estimated values in construction-contracting organizations was proposed. This proposal serves to form an objective opinion on the assessed values.

<sup>3</sup>Author development.

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