



## The Peculiarities of the Organization of Audit Activity in the Conditions of the Digital Economy

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### **Abstract**

This scientific work provides information about the peculiarities of the organization of audit activity in the conditions of the digital economy. In addition, the article states that under conditions of the digitization of economy, the theoretical issues of the audit, its practice, methods, technique and the audit process will undergo major changes.

**Keywords:** *Audit Activity; Digital Economy; Audit Service; Digitization; Theoretical Issues; Audit Proses; Entrepreneurial Activity; Audit Companies; Audit Services; Paradigmatic Changes; Financial Audit; Model; Information Technology (IT)*

### **Introduction**

So far the legal foundations of the audit activity have been created in our country. According to Article 3 of the Law LRU-677 of the Republic of Uzbekistan dated February 25, 2021 “On audit activities”, “audit activity is the entrepreneurial activity of audit companies on providing audit services” [1]. The theoretical issues of organizing audit activities and conducting audits maintain their urgency and become particularly topical under conditions of the digital economy.

### **Literature Review**

The literary sources on economics present different opinions on the organization of audit activities in the context of the digital economy. From the point of view of V.A. Yakimova (2020), “In the current environment, paradigmatic changes are being taken place in audit. Moreover, its form is changing from traditional to intellectual audit, and its current methodology is also based on technologies” [2].

According to A. Kudrin (2020), it is possible to shift to a digital audit in Russia within 3 years. A. Kudrin thinks, the first priority is the digitization of financial audit, as well as creation of a digital audit model [3].

In the opinion of V.V. Pankov (2019), the traditional audit of the information contained in the reports does not meet the current requirements. It can be concluded that the methodology of the future

audit relies on the risk-oriented concept [4]. Therefore, it can be summarized that under the digital economy conditions there will be big changes not only in the theoretical issues of audit, but also in its practice, methods and audit process.

N. Kozlova (2021) supposes that the audit digitization can be defined as follows: “Digitalization of audit is the complete remoteness of audit in enterprises”[5].

I.I. Meliev and B.M. Dagarov (2020) think that in order to achieve the goal of organizing and conducting audit services remotely, not only the use of IT technology tools, but also advanced automated audit programs, financial analysis programs, introduction of electronic digital signature service and can be achieved by appointing an auditor who confirms the quality of the audit services provided [6].

D.V. Varlamova and L.D. Alekseeva (2020) defined digital audit as follows: “Digital audit is creation of the conditions required for audit at each stage of product creation” [7].

In the opinion of A.V. Petukh and M.F. Safonov (2019), “While the digital audit is being developed, the technology of conducting the audit is also undergoing a transformation” [8]. As it is obvious from the considerations specified above, digital audit is the future of audit activity.

## **Results and Discussion**

Comprehensive measures are being implemented in our country to ensure implementation of the Resolution of the President of the Republic of Uzbekistan dated February 24, 2020 PD-4611 “On additional measures for the transition to international standards of financial reporting”.

Article 31 of the Law LRU-677 of the Republic of Uzbekistan “On audit activities” stipulates that audit organizations provide audit services in the form of audit inspections and related services.

The amount worth 206352.4 million UZS has been received from audit services in our country including 67.6 percent from audit inspections and only 32.4 percent from other related services [9]. It is obvious, that it is necessary to raise the income obtained from providing other services in our country from audit activities. This factor is crucially important in the digital economy.

It may be questioned whether there is a legal basis for this. Definitely, in Article 34 entitled “Limitations in conducting an audit” of the Law “On audit activities” the audit organization has no right to conduct an audit of the same business entity for more than seven years in a row”. Herewith we can cite the following examples. The consolidated financial report of “Uzbekneftgaz” joint-stock company for 2016, 2017 and 2018 prepared on the basis of IFRS was audited on the basis of International Auditing Standards (IAS) by “Ernst & Young”, one of the world’s four largest audit companies. It is a noticeable fact that a favorable auditor’s opinion was received on June 5, 2020 and November 24, 2020 [10].

The next joint-stock of the Republic of Uzbekistan, which received a favorable auditor’s opinion on consolidated financial statements by the results of 2022 after “Uzbekneftgaz” joint-stock company, was “National power grids of Uzbekistan” joint-stock company. It should be noted, that financial statements of this company were also audited on the basis of IFRS by “Ernst & Young” LLC, one of the world’s four largest audit companies. “National power grids of Uzbekistan” joint-stock company appeared to be the first company among power-generating companies, which obtained a favorable auditor’s opinion on the results of inspecting financial statements [11].

Under digital economy conditions, the wide use of practical digital technologies created and used by companies in audits becomes a topical issue. These digital technologies are being used in practice by major audit companies of the world and the Russian Federation. Currently it is being adapted to the requirements of the digital economy of large audit companies.

For example, it is obvious from the volume of services provided to clients by the world's "Big Four" audit companies in 2021 (Table 1).

Table 1. The key indicators of the world's "Big Four" audit companies in 2021 [12]

Companies	Income	Number of employees	Income per 1 employee	Year	Headquarter location
Deloitte	50,2 billion USD	345 374	145 349 USD	2021	Great Britain / USA
PwC	45,1 billion USD	295 371	152 831 USD	2021	Great Britain / USA
EY	39,9 billion USD	312 250	127 971 USD	2021	Great Britain / USA
KPMG	32,1 billion USD	236 000	136 144 USD	2021	Netherlands

The data in Table 1 demonstrates, "Deloitte" is the company with the highest income among audit companies in 2021. Income of "Deloitte" company accounted for 50.2 billion USD in 2019. It is followed by "PwC" company, which income constituted 45.1 billion USD and "KPMG with the income worth 32.1 billion USD. It should be noted that nearly 1 million employees work in the "Big Four" audit companies.

According to the forecast of the International Economic Forum (World Economic Forum), by 2025 about 30 percent of audits will be conducted using intelligent information technologies [13]. According to the report of the audit company "Deloitte & Touche", due to the use of digital technologies in audits, the company's income increased by 23 percent in 2019, and it is expected to increase by 30 percent by 2023 [14].

The revenue of the 100 largest audit companies of the Russian Federation in 2021 reached 44.4 billion rubles. Of this revenue, 55 percent or 24.3 billion rubles were earned from conducting audits and 45 percent or 19.9 billion rubles from rendering specified consulting services [15].

Table 2. The rating of major audit companies of the Russian Federation in 2023 [16]

№	Company	Rank in 2021	Location	Revenue in 2022 (mln. rubles)	Share of revenue earned from conducting audits (%)	Average number of employees in 2022	Number of auditors in 2022
1	"Kept" (KPMG)	1	Moscow	11737,6	36.9	3546	219
2	"TSATR–auditorskiye uslugi"	3	Moscow	7336,6	100	1996	239
3	"Technology Doveria–Audit"	4	Moscow	5836,1	75.4	–	–

№	Company	Rank in 2021	Location	Revenue in 2022 (mln. rubles)	Share of revenue earned from conducting audits (%)	Average number of employees in 2022	Number of auditors in 2022
4	DRT	2	Moscow	5757,4	58,6	1367	–
5	Yunikon	5	Moscow	2004,9	77.3	831	164

In the Russian Federation, “Kept” company (former KMPG), is the leading audit company, and its revenue in 2022 amounted to 11737.6 million rubles, which 36.9 percent constituted the revenue from audit. “TSATR–auditorskiye uslugi” ranks the second and its revenue in 2022 constituted 7336,6 million rubles and 100 percent of this amount was earned due to providing audit services. The last position in 2022 belonged to “UNICON” company. Its revenue accounted for 2004,9 million rubles, which 77.3 percent was the income from audit activities.

### **Conclusion**

In reliance upon the considerations specified above, we can conclude that fundamental changes will occur in the organization and methodology of audit under conditions of the digital economy. It is recommended to make appropriate changes to the statutory acts related to the audit activity in the process of transition to the digital economy. We believe that it is necessary to develop international auditing standards that are suitable for these conditions or to make appropriate changes to the current ones.

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