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WAYS TO DEVELOP THE AUDIT OF SMALL AND MEDIUM-SIZED ENTERPRISES THAT HAVE SWITCHED TO IFRS.

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International Financial Reporting Standards (IFRS) play an important role in ensuring the development and sustainability of small and medium-sized businesses. The IFRS for Small and Medium-sized Enterprises (SMEs) developed by the IFRS Council was published as a final document on July 9, 2009. The first country in the world to adopt this standard upon its publication in 2009 was the Republic of South Africa [1]. According to official data from the International Accounting Standards Board (IASB) and the Institute of Chartered Accountants in England and Wales (ICAEW), 86 countries will require or permit the use of IFRS for SMEs by 2025 [2].

The Asian Development Bank (ADB) in collaboration with the Ministry of Economy and Finance of Uzbekistan has developed the Small and Medium Enterprises Development Program, which is being implemented in order to strengthen the capacity and financial reporting of our country's small and medium-sized enterprises based on international financial reporting standards. According to the above official documents, the implementation of the IFRS for SMEs in the Republic of Uzbekistan is envisaged to be implemented in 2 stages.

- at the first stage, National Financial Reporting Standards (NFRS) adapted to the IFRS for SMEs will be developed;

In this regard, the Ministry of Finance of the Republic of Uzbekistan developed and submitted for discussion a draft of the National Financial Reporting Standard (NFRS) in 2022, which is expected to be implemented from January 1, 2024.

- at the second stage, SMEs are recommended to switch to the IFRS for SMEs [3].

The transition to the use of IFRS by small and medium-sized enterprises will help to more transparently reflect the financial condition of the company. This will increase the confidence of owners, investors, creditors and especially foreign partners of the enterprise in the information contained in the financial statements of the enterprise.

Companies using IFRS can more easily attract external financing, since such standards are considered uniform and understandable for international investors. Banks and financial institutions can also approve loans with accurate and reliable reporting.



Another important point is that financial statements prepared in accordance with IFRS provide a clear picture of the financial condition, which helps to make more informed management decisions.

The transition of small and medium-sized enterprises to the use of IFRS developed for SMEs has had a significant impact on the process of auditing their activities. This impact is reflected in:

1. Increasing requirements for auditor qualifications:
 - Increasing demand for in-depth knowledge of IFRS as a result of the shortage of qualified specialists;
 - Due to the emergence of new types of businesses operating using digital platforms and artificial intelligence, the auditor providing services to them must constantly work on himself.
2. The need to change audit methodology
 - The need to reconsider approaches to audit practices has arisen;
 - Auditing is now based on principles, not rules;
 - Greater emphasis on judgmental thinking and professional skepticism.
3. Development of new tools and technologies
 - Automation of audit processes using modern information technology systems and artificial intelligence;
 - Expanding the scope of work with digital audit and big data (Big Data).
 - The need to develop new technologies for auditing digital assets, cloud solutions, and automated processes.
4. Determining the composition of audit risk
 - Regularly taking into account the changing factors affecting audit risk due to the increasing involvement of digital technologies in the audit process;
 - Paying special attention to determining the impact of errors in fair value assessment, asset impairment and revenue recognition on audit risk;
 - The emergence of misunderstandings and various legal situations requiring resolution as a result of the constant lag of the normative and methodological framework.
5. Deepening communication with clients
 - Auditors become consultants to the client on issues related to the implementation of IFRS. Organization of services in the "Audit + mentor" format;
 - The need for joint actions of the auditor and the client in planning the transition to IFRS and adapting accounting policies to its requirements.
6. Audit procedures and documentation
 - Increasing the volume of analytical activities;
 - More explanatory notes and disclosures are required;
 - Increasing development of specific programs by auditors to audit certain sections of the report.



7. Requirements of authorized state bodies and investors

- Increased control by the Ministry of Economy and Finance, the Tax Committee, the Central Bank and other authorized state bodies;
- Investors are increasingly demanding more transparent and reliable reporting from enterprise managers.

The introduction of IFRS significantly changes the audit, focusing it more on assessing the economic substance of business transactions, increases the requirements for auditors' professional skills, and somewhat complicates the audit process.

Despite some difficulties, the impact of IFRS for small and medium-sized businesses on auditing is generally positive, as it increases the transparency and reliability of financial information.

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