

ISSUES OF EVALUATING THE EFFICIENCY OF THE INVESTMENT
ENVIRONMENT IN THE REGIONAL ECONOMY

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Annotation: This article discusses theoretical and practical aspects of evaluating the efficiency of the investment environment in the regional economy. Scientific approaches to the concept of the investment environment have been studied. Proposals are presented for assessing investment activity and the effectiveness of the investment environment in the region.

Keywords: Investment environment, regional economy, investment potential, investment attractiveness, investment climate, efficiency.

Introduction

Currently, great attention is being paid in our country to ensuring the reliability of financial reporting through audits and attracting investors. It is of great importance to all users of financial reports that the company's assets, equity, financial results, and liabilities are accurately reflected in the financial statements. Since transactions related to employee compensation make up a major part of liabilities, conducting a successful audit of these transactions is essential.

The key condition for a successful audit is proper planning. Audit planning not only determines the overall audit strategy, but also defines the scope and deadlines of the audit. Through planning, we are able to identify the most important aspects of the audit, properly allocate workload among auditors, gain an understanding of the audited entity, and identify significant matters that may affect the financial statements.

The Resolution of the President of the Republic of Uzbekistan No. PQ-4611 dated February 24, 2020, "On Additional Measures for the Transition to International Financial Reporting Standards," marked a new chapter in our country's accounting policy. This, in turn, necessitates the use of international standards during audits.

Planning the audit of employee compensation transactions is one of the most critical components of the audit process. Special attention must be paid to the following aspects:

1. Risk Assessment

Planning allows the auditor to identify and assess risks related to employee compensation transactions. This includes the risk of fraud, accounting errors, non-compliance with legal requirements, and violation of the company's internal policies.

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2. Determining Workload

At the planning stage, auditors can determine which areas and processes require deeper analysis and which may be subject to less scrutiny. This helps optimize the resources and time spent on the audit. Evaluating materiality and internal control indicators is especially important in this context.

3. Formulating an Audit Strategy

Planning helps define the overall scope and direction of the audit, i.e., it facilitates the development of an audit strategy. This includes choosing methods and procedures for examining employee compensation transactions. These may include compliance testing, analytical procedures, and transaction sampling.

4. Setting Clear Objectives

Detailed planning helps define specific audit objectives such as verifying the accuracy of payroll, ensuring tax compliance, and adherence to labor laws. This allows auditors to focus on the most critical aspects.

5. Ensuring Compliance with Standards

Planning helps ensure that the audit is conducted in accordance with international auditing standards. This is important for increasing the reliability of audit results for stakeholders. During planning, it is crucial to comply with the requirements of the following standards:

- ISA 300 "Planning an audit of financial statements"
- ISA 315 (Revised), Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment (Related to Entity's Internal Control)"
- ISA 230 "Audit Documentation"
- ISA 320 (Revised and Redrafted) "Materiality in Planning and Performing an Audit"/

6. Coordination with Other Departments

During the planning phase, auditors can establish communication with other departments, such as HR and accounting, to obtain the necessary data and documents, which in turn helps conduct the audit more efficiently.

7. Improving Audit Quality

Effective planning helps auditors gain a deeper understanding of the company's processes and operations. This ultimately improves the quality of the audit, making it more effective and efficient.

In international practice, audit planning is regulated by **ISA 300 “Planning an Audit of Financial Statements.”** Based on this standard, the audit strategy and plan are developed.

Accounting for labor and remuneration occupies one of the key positions in the entity's accounting system and audit. According to the regulation on the composition of costs for production and sales of goods (works, services) and the procedure for forming financial results **【2】**, wages and insurance contributions related to labor involved in production are included in the cost structure that forms the prime cost of goods (works, services). This means that the wages of workers involved in production directly affect the cost price of the product.

In the current market economy conditions, not only the quality but also the price of a product plays a vital role for entrepreneurs. Therefore, among the enterprise's direct operating expenses, the wages of management personnel and associated social contributions are also considered.

When auditing transactions related to employee compensation, the main tasks of the audit include the following **【4】** :

Verifying the timely execution of payroll calculations — including wage and other payments, proper deductions, and disbursement of the remaining amount to employees;

Checking the correct and timely inclusion of calculated wages and relevant deductions into the production cost of the manufactured product;

Verifying the proper collection and classification of indicators related to labor and wages, which are necessary for effective management and preparation of relevant accounting information;

Ensuring timely and accurate settlement with social insurance, pension, and benefit funds;

Checking the correct application of tax benefits related to personal income tax.

№	Account Name / Description	Debit Amount (UZS)	Credit Amount (UZS)	Corresponding Account	Notes (Audit Accuracy)
1	Accrued wages to production workers				
2	Accrued wages to auxiliary production workers				

№	Account Name / Description	Debit Amount (UZS)	Credit Amount (UZS)	Corresponding Account	Notes (Audit Accuracy)
3	Accrued wages to maintenance workers				
4	Accrued wages to administrative staff				
5	Accrued wages to marketing and sales staff				
6	Accrued wages to general business service staff				
7	Accrued wages to temporary (contract) workers				
8	Accrued wages to workers on sick leave				
9	Accrued wages to vacationing workers				
10	Accrued bonuses to production staff				
11	Income tax withheld from production staff		4,377,763	641 "Personal Income Tax Payable"	✓
12	Pension fund deduction from production staff				
13	Social insurance deduction from production staff				
14	Accrued wages to administrative staff	11,924,726			✓
15	Income tax withheld from administrative staff				
16	Pension fund deduction from administrative staff				

№	Account Name / Description	Debit Amount (UZS)	Credit Amount (UZS)	Corresponding Account	Notes (Audit Accuracy)
17	Social insurance deduction from administrative staff				
18	Accrued wages to general staff				
19	Income tax withheld from general staff				
20	Pension fund deduction from general staff				
21	Social insurance deduction from general staff				
22	Income tax withheld from employees				
23	Pension fund deduction from employees				
24	Social insurance deduction from employees				
25	Net wages transferred to employees via bank				
26	Accrued wages to all departments (total)	11,924,726			✓
27	Income tax withheld (total)				
28	Pension fund deduction (total)				
29	Social insurance deduction (total)				
30	Net wages paid (total)				
31	General total	11,924,726	11,924,726		✓

Accounting and Auditing of Labor and Wage Payments

The accounting of labor and wage payments must ensure operational control over the amount and quality of labor expended, the use of funds allocated for this purpose, the formation of the wage fund, and the execution of socially significant payments.

Auditing transactions related to employee wages is a key stage in collecting documented evidence to ensure the reliability and quality of audit reports. Evidence is collected based on a pre-established audit plan, and the audit opinion is formed based on the gathered evidence.

Below are the auditing procedures commonly used in auditing employee wage-related transactions:

1. Collecting Documentary Evidence:

- **Payment Records:** Review payroll calculations, including deductions, taxes, and additional payments.

- **Employment Contracts:** Analyze contracts made with employees to confirm work conditions and salaries.

- **Reports on Taxes and Deductions:** Examine reports on personal income tax, pension, and social fund contributions.

2. Performing Analytical Procedures:

- **Comparative Analysis:** Compare current payroll data with previous periods or budget indicators to identify discrepancies.

- **Ratio and Indicator Analysis:** Use ratios such as labor costs as a proportion of total expenses to assess the adequacy and justification of payroll expenses.

3. Supervision:

- **Monitoring the Wage Payment Process:** Directly monitor payroll and payment processes, including how they are reflected in accounting systems.

- **Employee Interviews:** Conduct interviews with HR and accounting staff to understand payroll procedures and identify potential issues.

4. Audit Sampling and Testing:

- **Transaction Sampling:** Conduct audit tests to verify payroll calculations comply with set rules and procedures.

- **Random Sampling:** Use random selection to ensure data representativeness and minimize the risk of misstatements.

5. Data Verification:

- **Cross-Checking with External Sources:** Compare payroll data with records from external sources such as tax authorities or pension funds.

- **Third-Party Confirmations:** Obtain confirmations from banks or other institutions regarding executed payments.

6. Use of Technology:

- **Data Analysis:** Use software tools to analyze large volumes of data to detect anomalies and inconsistencies.

- **Automation:** Implement automated data collection and processing systems to reduce the likelihood of errors.

7. Evaluation of the Internal Control System:

- **Internal Control Audit:** Evaluate the effectiveness of internal control systems related to payroll to identify weaknesses and potential risks.

- **Control Testing:** Conduct compliance testing to assess the functioning of internal controls.

- During the audit of transactions related to employee wages, the collection of evidence must be broad and diverse to ensure the reliability and completeness of audit conclusions (ISA 500 – “Audit Evidence”). Using various methods and approaches allows auditors to gain a fuller understanding of payroll processes and to identify possible risks and violations.

- Timely execution of the above tasks is one of the key factors in improving employee well-being and protecting against economic crises.

Therefore, the goal of conducting audits of wage-related matters and employee social protection is to ensure compliance with labor legislation, accuracy in calculating wages, various bonuses and additional payments, as well as taxes and social contributions. During the audit, the auditor must first ensure that there are no significant errors in the reported figures. To gather evidence, the auditor can use various sources such as tax and statistical reports and conduct surveys among employees.

Additionally, before starting the audit, it is necessary to compile a regulatory document package, synthetic and analytical accounting registers, and source documents needed to verify internal calculations. The set of regulatory documents that govern payroll accounting and taxation must be compiled considering the specific nature of the client enterprise's activities.

Conclusion

In conclusion, to provide a reliable audit opinion, it is crucial to properly plan the audit and use trustworthy sources when gathering information. Currently, separate registries are sent to the tax committee database for income tax payments and to the People's Bank database for pension fund payments. We believe that integrating the pension fund payments with the registry submitted to the tax committee would create significant convenience for both company accountants and internal and external auditors.

Planning the audit of transactions related to employee compensation is the foundation for successful audit execution. It helps identify risks, optimize resources, and ensure compliance with standards, ultimately resulting in more reliable and higher-quality audit outcomes.

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