



## PLANNING AUDIT OF TARGET INCOME IN NON-STATE NON-PROFIT ORGANIZATIONS

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**Abstract:** The audit of non-state non-profit organizations (NSNPO) differs in many ways from the audit of commercial structures. The main task here is to check the intended purpose when receiving and spending funds. Currently, there are a number of serious problems in planning an audit in NSNPOs related to the implementation of an accounting and auditing process in non-profit organizations, due to the specifics of their activities. In this regard, in order to increase the efficiency of public control over socio-economic reforms in the country and the active participation of citizens in democratic transformations, ensure the financial independence of NSNPOs, their property rights, i.e. accounting of their assets and their use, availability, storage and write-off. Therefore, this article discusses a solution to the problem of planning an audit in non-state non-profit organizations (NSNPOs) of Uzbekistan. Also, a procedure for auditing target revenues in non-state non-profit organizations is recommended.

**Keywords:** non-state non-profit organization, auditing, audit planning, civil contract, targeted receipts, subsidy, humanitarian aid, targeted financing.

### Introduction

Non-state non-profit organizations (NSNPOs) play a vital creative role in the formation of modern civil society, the establishment of democracy, and the protection of the rights and freedoms of citizens. Many pressing issues today related to fundamental changes in the economy and politics, the formation of fundamentally new relationships between the state and society, concern all non-profit organizations, and they should be resolved through joint efforts, taking into account the interests of many parties. It is these key tasks that should become the starting point for making serious adjustments to the main directions and priorities of deepening economic reforms [5]. Depending on the type of constitutional rights being realized, the purpose of creating an association follows accordingly.

Thus, at present, there are a number of serious problems, planning an audit of target revenues in NSNPOs related to the implementation of the accounting and audit process in non-profit organizations, determined by the specifics of their activities, as well as increasing the authority of the financial activities of NSNPOs to world standards determine the relevance of the topic of scientific research.

**Material and method.** The organizational and legal aspects of accounting in non-governmental non-profit organizations have been studied by some foreign economists. Among scientists from the CIS countries, certain issues of organizing and planning audits in non-governmental non-profit organizations are disclosed in the works of Ya.V. Sokolova, G.Yu. Kasyanova "Accounting as the

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sum of the facts of economic life”, T.V. Yuryeva, L.V. Egorova “Accounting and auditing in non-profit organizations: theory, methodology and practice” and L.V. Gusarova “The concept of accounting, audit and analysis in non-profit organizations”, etc [9].

Due to the lack of development of a special system for planning an audit of target revenues in non-state non-profit organizations, general regulatory and legal audit documents are used. Therefore, it is necessary to develop and improve planning for the audit of target revenues in non-governmental non-profit organizations and the preparation of audit reports.

**Analysis and results.**

An audit, as a rule, is always limited to a certain period (on average, two weeks) because of these restrictions, it is not always possible to conduct a complete audit in a large or even medium-sized enterprise. Therefore, the auditor should determine the audit of NSNPOs, taking into account the individual characteristics of each economic entity, which provides:

- consideration of the collected information about the client’s activities for target revenues;
- preliminary assessment of the risk and effectiveness of internal control for target revenues;
- determination of the depth, essence and duration of checks of operations on target receipts [6].

The audit strategy for target revenues should take the form of a plan drawn up in writing by the auditor, the purpose of which is:

- preliminarily determine the volume and type of required tests of target receipts;
- estimate the costs of their implementation based on target revenues;
- reach an understanding with the client on all major issues before the start of the inspection;
- have evidence of the validity of the audit and its quality for this client.

Planning an audit of target revenues in NSNPOs is preceded by the following stages of auditing target revenues:

- pre-planning preparation;
- obtaining information about the business client (specifics of activity, structure and connections, politics, legal circumstances);
- assessment of materiality; audit risk assessment;
- studying the internal control system and assessing the risk of its ineffectiveness [11, 12].

An audit of non-profit organizations can be mandatory or carried out on the initiative of the head or founders of an NSNPO. Since a number of non-profit associations, in parallel with their main activities, also conduct commercial activities, some difficulties may arise when maintaining accounting records in NSNPOs. For such organizations, an audit is simply necessary, since its

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implementation allows you to check the correctness of accounting and avoid further problems, in particular, with regulatory authorities.

**An audit of targeted revenues in NSNPOs is carried out to achieve the following goals:**

- to check to what extent the actual activities of the organization, the principles of its financing, the formation and distribution of material and monetary resources correspond to the tasks and goals specified in the statutory documents and determined by the governing bodies of the NSNPOs;
- to check the accounting policies used in accounting and analyze their correctness;
- to check and confirm the targeted expenditures of received grants;
- to verify the intended use of funds received. During the audit process, it is determined to what extent financial expenditures correspond to previously approved programs and estimates. The compliance of the amount of expenses with the planned indicators and established restrictions is also checked;
- to check and confirm the intended use of received funds indicated in the reporting;
- to analyze the correctness of separate accounting, if the organization, along with non-profit, is also engaged in commercial activities. The main objective of the audit is to confirm the correctness of the obtained financial result.

Non-state non-profit organizations act as an influential practical mechanism for achieving consistency between government agencies and the private business sector. Therefore, to improve the economic sustainability of NSNPOs, it is important to improve the audit of target revenues in the organization. [4].

**Discussion.** A non-state non-profit organization is a self-governing legal entity created on a voluntary basis by individuals and legal entities, which does not pursue the generation of income (profit) as the main goal of its activities, engages in additional business activities within the framework of the charter and does not distribute the income (profit) received among its participants (members).

The procedure for general audit planning is determined by the international auditing standard ISA No. 300 [10].

The audit organization is obliged to plan its work so that the audit is carried out effectively. Planning an audit of target revenues of NSNPOs involves developing a general strategy and a detailed approach to the expected nature, timing and scope of audit procedures. The audit organization must agree with the management of the NGO on the main organizational issues related to conducting an audit of target revenues. [5]

Planning an NSNPO audit by the auditor of their work ensures that important areas of the audit receive the necessary attention, that potential problems are identified, and that the work is completed cost-effectively, efficiently, and in a timely manner. Planning allows you to effectively distribute work between members of the team of specialists participating in the audit, as well as coordinate such work. For practical auditors, an example of a general audit plan for non-governmental

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non-profit organizations is shown in Table No. 1.

Table No. 1.

**Audit plan for target revenues of non-state non-profit organizations<sup>1</sup>**

Audited entity		«UzLIDEP Party»		
Number of people/hours		84		
Head of verification		Saliev M.S.		
Audit period according to plan		10.04.2023	~	24.04.2023
Planned level of materiality, %		96.9		
Planned audit risk, %		3,0		
Composition of the audit team:				
1. Saliev M.S., Aliev N.A.. _____				
<b>Planned types of work</b>		<b>Deadline</b>	<b>Performers</b>	
Pre-planning stage of audit of non-state non-profit organizations				
Meeting with client management		10.04.2023	Aliyev P.M.	
Clarification of the client's goals for the audit of non-state non-profit organizations		10.04.2023	Aliyev P.M.	
Providing proposals for the provision of audit services of target revenues to non-state non-profit organizations		11.04.2023	Saliev M.S.	
Drawing up and sending a letter on conducting an audit of target revenues of non-state non-profit organizations		11.04.2023	Saliev M.S.	
Drawing up and signing an audit agreement		12.04.2023	Aliyev P.M.	
Drawing up and sending a request for the client to provide targeted information to non-state non-profit organizations		12.04.2023	Aliyev P.M.	
Obtaining from the client the necessary written and oral information on targeted receipts		13.04.2023	Saliev M.S.	

<sup>1</sup> Development by the author, 2023.

Obtaining information about target revenues of non-state non-profit organizations	14.04.2023	Saliev M.S.
Stage of planning the audit of target revenues of non-state non-profit organizations		
Verification of accounting reporting forms for non-governmental non-profit organizations	15.04.2023	Aliyev P.M.
Analysis of client activities based on target revenues	16.04.2023	Aliyev P.M.
Determining audit risk based on target revenues	17.04.2023	Aliyev P.M.
Calculation of materiality of non-governmental non-profit organizations	18.04.2023	Saliev M.S.
Drawing up a target revenue audit program	19.04.2023	Saliev M.S.
Appointment of the head of the inspection group and determination of its composition	20.04.2023	Saliev M.S.
Stage of collecting and documenting evidence of audit of target revenues		
Conducting audit procedures for target revenues	21.04.2023	Aliyev P.M.
Carrying out analytical procedures for target revenues	22.04.2023	Aliyev P.M.
Stage of completion of the audit of target revenues of non-state non-profit organizations		
Conducting final procedures for targeted receipts	23.04.2023	Saliev M.S.
Preparation of an audit report on target revenues	24.04.2023	Saliev M.S.
Negotiations with the client's management on the results of the audit of target revenues	24.04.2023	Aliyev P.M.

**Head of the audit organization**

Aliyev P.M.

**Head of Audit review**

Saliev M.S.

The time spent on work planning depends on the scale of the audited entity's activities, the complexity of the audit, the auditor's experience working with this entity, as well as knowledge of the specifics of its activities.



Obtaining information about the activities of the audited entity is an important part of planning work, helping the auditor to identify events, transactions and other features that may have a significant impact on the financial statements.

The auditor has the right to discuss certain sections of the overall audit plan and certain audit procedures with employees, as well as with members of the board of directors and members of the audit committee of the audited entity to improve the efficiency of the audit and coordinate audit procedures with the work of the audited entity’s personnel. In this case, the auditor is responsible for the correct and complete development of the overall plan and audit program [7].

The audit organization must assess the possibility of conducting an audit of the targeted revenues of NGOs. If the audit organization considers it possible to conduct an audit, it proceeds to forming a staff to conduct the audit and enters into an agreement with the NGOs.

It is advisable for the new auditor to contact his predecessor, from whom he can obtain information about management's intentions, controversial issues regarding the application of accounting principles, audit procedures or payment. But first the auditor must agree on the possibility of such contact with the client.

It is very important to obtain information about the company's policies in various areas; the degree of responsibility and rights of managers at different levels; circle of persons who have the right to change the policy of NGOs [14].

Based on the information received, the auditor must decide whether it is necessary to involve specialists and experts on the targeted revenues of NGOs (lawyers, tax specialists, etc.) for consultations on certain issues [8].

An audit review of an NSNPO's activities should include:

- deep understanding of the main activities of NSNPOs, the motives of behavior of senior management personnel to assess the risk of providing false information to NSNPOs;
- preliminary analytical reviews to assess the current financial condition of NSNPOs in order to highlight unusual and unexpected balances;
- understanding the specifics of the accounting policies of NSNPOs;
- assessment of the level of materiality of the NSNPOs udit.

Table No. 2.

**Program for carrying out targeted revenues for non-state non-profit organizations<sup>2</sup>**

<sup>2</sup> Author's development, Compiled by the author based on information provided by the institution “UzLIDEP Party” 2023.

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Audit Section: Target Revenues			
Audited organization	«UzLIDEP Party»		
Section audit period	10.04.2023-24.04.2023		
Number of people/hours	130		
Responsible executor	Aliyev P.M., Abdiev O.L.		
Planned audit risk, %	3,0		
Planned level of materiality, %	96,9		
<b>List of audit procedures of NSNPOs</b>	<b>Deadline</b>	<b>Performers</b>	<b>Completion mark</b>
Request for documents of targeted revenues to NSNPOs	10.04.2023	Aliyev P.M.	
Target Revenue Tests			
Testing the internal control system for targeted revenues to NSNPOs	10.04.2023	Aliyev P.M.	
Testing the accounting system for target revenues	10.04.2023	Aliyev P.M.	
Accounting policy regarding target revenues of NSNPOs			
Analysis of accounting policies for accounting purposes of target revenues	11.04.2023	Abdiev O.L.	
Analysis of accounting policies for tax purposes of targeted revenues	11.04.2023	Abdiev O.L.	
Checking the formation of financial statements for targeted revenues of NSNPOs			
Analysis of the working chart of accounts for target revenues	12.04.2023	Aliyev P.M.	
Checking the identity of indicators in accounting registers and balance sheet data for target receipts	12.04.2023	Aliyev P.M.	
Audit sample on target revenues of NSNPOs			
Calculation of sample size of target receipts	13.04.2023	Abdiev O.L.	

Construction of a sample population (turnover) of targeted revenues (grants, subsidies)	13.04.2023	Abdiev O.L.	
Construction of a sample population (balance) of target revenues of NSNPOs	13.04.2023	Abdiev O.L.	
<b>Procedures for the substantive audit of NSNPOs</b>			
Existence, rights, completeness			
Inventory of target revenues	14.04.2023	Aliyev P.M.	
Checking contracts for target revenues	14.04.2023	Aliyev P.M.	
Checking the correctness of documentation of receipt, accounting and disposal of target receipts	15.04.2023	Aliyev P.M.	
<b>Existence, valuation of target revenues of NSNPOs</b>			
Verification of compliance of target revenues with asset criteria	16.04.2023	Abdiev O.L.	
Checking the compliance of the assessment and reflection in the accounting of receipt of target revenues with accounting policies and legislation	17.04.2023	Abdiev O.L.	
Checking the correctness of accounting and registration of expenses in the target revenue account	18.04.2023	Abdiev O.L.	
<b>Occurrence, accuracy, valuation of target revenues of NSNPOs</b>			
Checking the compliance of completed transactions with the audited period of target revenues	18.04.2023	Aliyev P.M.	
Presentation and disclosure			
Checking the disclosure in the reporting of all material information on target revenues	19.04.2023	Aliyev P.M.	
<b>Results for the audit section of target revenues of NSNPOs</b>			
Preliminary list of errors and comments regarding target revenues of NSNPOs	20.04.2023	Abdiev O.L.	



Summary of methodological (systematic) violations of target revenues	21.04.2023	Abdiev O.L.	
List of comments on the targeted revenue procedures carried ou	22.04.2023	Aliyev P.M.	
Conclusions on the audit section of targeted revenues of NSNPOs	24.04.2023	Aliyev P.M.	

The auditor must identify external and internal factors affecting the client’s business activities [9].

There are cases when the auditor terminates the contract to perform an audit. This can happen for the following reasons: the managers or representatives of the non-profit organization have not created the required conditions for the correct conduct of inspection activities, the required documents and materials are not provided, and obstacles are created to the inspection.

### Conclusion

As a result of the study on audit planning in non-governmental non-profit organizations, the following recommendations and proposals were given:

- Since for most non-profit associations an audit is mandatory, it is in their interests to avoid problems with inspection bodies and create all the necessary conditions for performing an audit and obtaining a positive conclusion.
- Otherwise, problems will arise with the further activities of NSNPOs. If non-profit organizations belong to associations with mandatory audits, then inspections in them must be carried out every year.
- In other cases, the audit is carried out at the initiative of management or founders when the need arises.

When and within what time frame the audit will be carried out by the auditor and the client is discussed at the preparatory stage and agreed upon with the heads of the non-profit association.

Non-state non-profit organizations that are subject to mandatory audit are required to provide the results of the audit, namely, the conclusion issued by the auditor, to the statistical authorities when submitting reports.

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