CONCEPTUAL FOUNDATIONS OF COMPLIANCE CONTROL IN AUDITING ACTIVITIES

Yuldashev Khusanboy Salaydinovich
Master's student at the Banking and Finance Academy of the Republic of Uzbekistan.

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The process of verifying the compliance of financial statements and financial and economic activities with legal norms, rules, and principles can be interpreted as a logically interconnected set of theoretical and practical views.

ABSTRACT

This article provides a scientific and analytical study of the conceptual foundations of compliance control in auditing activities. The compliance system is viewed as an integral part of modern corporate governance, playing a crucial role in ensuring legality, transparency, and adherence to corporate ethics within the audit process. The authors present scientific conclusions and practical recommendations aimed at enhancing the efficiency, reliability, and sustainability of auditing through the strengthening of the conceptual basis of this type of control.

The purpose of developing the concept is to standardize theoretical and methodological approaches to audit and consulting services, implement the principles of compliance, and develop recommendations for their organization. Compliance procedures are implemented through conceptual provisions that define the principles and procedures for auditing financial statements, as well as the methods and means of ensuring compliance. These rules are reflected in specific norms of standards that are mandatory for auditors.

Standards play an important role as a systematizing basis for the auditor's qualification level and requirements for special areas of knowledge. They provide auditors and users of audit services with an understanding of the purposes of the audit, their rights and obligations, methods of conducting a general audit, and the need to take into account regulatory legal acts when performing procedures. International Standards on Auditing (ISA) describe the basic principles and procedures without limiting them to specific objects or regions. These standards are sufficiently adaptable to changes in the economic and political situation on a global scale, as well as in individual countries, are applied in solving global problems, and are not directly related to the specifics of national legislation.

It is important to guarantee the quality and reliability of the opinion expressed in the report, which is presented to users based on the audit results. If the International Standards on Auditing (ISA), which define the procedure for conducting the audit of financial statements and the procedure for applying compliance procedures in the audit, have been developed in sufficient detail, then OAS (Operational Auditing Standards) and standards for agreed procedures contain only general, universal aspects. Therefore, they require more detailed development, taking into account the economic needs and specific requirements of individual regulators.

At the professional level, it is planned to develop methodological developments on compliance with special rules and requirements, application of international standards (IAS), and their interpretation. In this regard, by applying special regulatory mechanisms, the Bank of Russia plans to introduce additional rules for auditing the financial statements of the banking sector, taking into account the specifics of accounting and internal control.

To develop the concept of compliance control in auditing, it is necessary to use current theories and concepts that explain the functional purpose of auditing in relations with stakeholders (E. Freeman)[1], M.Jensen va W.Meckling[2]. At the same time, compliance functions should illuminate the role of the audit of financial statements in the modern economy. Based on the approach of institutional and stakeholders, the definition of compliance control functions is considered a pressing issue.

The institution of compliance control is a system of interconnected and relatively stable formal and informal norms, tools, and mechanisms regulating socio-economic relations between economic entities, based on control over compliance with legislation and business practices, rules of conduct in market conditions[3].

This institution consists of a set of formal and informal rules embodied in standards, guidelines, and norms that determine the order of actions and relations between subjects in the institutional environment, serving to ensure the social and economic stability of society. Formal and informal institutions define the rules of economic behavior of economic entities and create restrictive frameworks for them.

Compliance control performs the function of reducing the risk of opportunistic behavior and negatively affecting the interests of interested parties by checking the compliance of the activities of business entities with regulatory legal acts and business practice. In this sense, the Conformity Control Institute provides interested parties with the opportunity to receive information from the business entity and forms a feedback channel that monitors compliance with the established rules for preparing financial statements.

Users should be interested in the results of compliance control, as this directly affects the clear definition of the goals and objectives of the verification procedures and the timely and high-quality delivery of information to the recipients. Conversely, if interested parties do not pay attention to the results of control, the compliance control institution in audit activity may be ineffective and costly for auditors as a subject of control and an audit organization. In such a situation, hidden violations of legislation can lead to even more dangerous consequences for the economy and society.

The stakeholders of business entities constitute a range of users of financial statements and entities interested in the results of compliance control. In the concept of an industrial society, stakeholders are understood as "a group that influences or is under the influence of the company's activities," that is, "subjects who directly or indirectly consume the organization's profits."

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[1] Freeman, R.E. Stakeholder Capitalism / Freeman R. E., Martin K., Parmar B. // J. of Busin. Ethics. – 2007. – Vol. 74. – pp. 303–314.

[2] Jensen, M.C. Theory of the Firm: Managerial Behavior, Agency Costs and Ownership Structure / M.C. Jensen, W.H. Meckling // Journal of Financial Economics. 1976. – №3. – pp. 305–360.

[3] Якимова, В.А. Обоснование роли комплаенс-контроля общественно значимых организаций с позиции институциональной экономической теории / В.А.Якимова // Вестник Пермского университета. Сер. ≪Экономика≫ =Perm University Herald. Economy. – 2017. – Том 12, № 4. – С. 542–560.

State bodies implementing export, industrial, innovation, environmental, and social policy conclude contracts with organizations of territorial or infrastructural significance. Organizations of regional significance create economic and social values for the development of the state, region, and municipality, ensure stability, and develop effective interaction of participants in the economic process. The exchange of resources and information between stakeholders serves as an important tool for ensuring the economic security of the region and the state as a whole.

State bodies coordinate the development of priority areas and types of activities of organizations through financial and other measures. Therefore, they are interested in data on the use of financial resources, the effectiveness of tax benefits and other preferences, as well as monitoring the fulfillment of planned indicators.

The effective operation of compliance control guarantees compliance with standards in investment and other financial activities, the organization's contribution to the process of "creating public wealth," as well as compliance with anti-corruption rules.

List of used literature:

1.Freeman, R.E. Stakeholder Capitalism / Freeman R. E., Martin K., Parmar B. // J. of Busin. Ethics. – 2007. – Vol. 74. – pp. 303–314.
2.Jensen, M.C. Theory of the Firm: Managerial Behavior, Agency Costs and Ownership Structure / M.C. Jensen, W.H. Meckling // Journal of Financial Economics. 1976. – №3. – pp. 305–360.
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