



THE ESG AUDIT PLANNING PROCESS AND ITS SPECIFIC ASPECTS

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ABSTRACT	KEYWORDS
In this article, in the context of sustainable development The ESG audit planning process and its specific aspects The research was reviewed and suggestions and recommendations were made.	Audit planning, pre-audit activities, audit plan, audit strategy.

Introduction

The widespread implementation of sustainable development principles in the global economy has created the need to take into account environmental, social and corporate governance factors, along with traditional financial indicators, when assessing the performance of business entities. As a result, the ESG (Environmental, Social, Governance) concept has become an important criterion for assessing the transparency and long-term sustainability of enterprises. Ensuring the reliability of ESG information in this process has led to the formation of a new area of audit activity - ESG audit.

Unlike financial audits, ESG audits require a comprehensive assessment of not only financial results, but also the company's environmental impact, social responsibility, and management system effectiveness. This requires the use of new methodological approaches to organizing the audit process, especially at the audit planning stage. Because the scope of risks in ESG audits is broader, including environmental risks, social risks, reputational threats, and inconsistencies in corporate governance.

Audit planning is a strategic step in the audit process that determines the effectiveness of an ESG audit. During this step, the auditor determines the level of ESG materiality, assesses stakeholder expectations, identifies sustainability risks, and determines the scope and direction of audit procedures. International auditing standards and global initiatives on sustainability reporting emphasize the need to plan the audit based on a risk-based approach.

Literature Review

Alvin A. Arens, Randal J. Elder, Mark S. Beasley (2008) provide the following definition of ethics in auditing: "Audit planning involves the process of developing the overall audit strategy and determining the expected nature, timing, and extent of audit procedures."

According to Roger D. Knechel (2011), "Effective audit planning links the risk assessment process to audit activities, ensuring audit quality and efficiency."

Messier, Glover, and Prawitt (2014) discuss this in their work: "Planning helps auditors focus on important areas, identify potential problems, and organize the audit effectively."

According to David Flint, “Audit planning is essential to ensure that the audit fulfills its public accountability function.”

Research Methodology

The research used induction, deduction, systematic and comparative analysis, grouping, experimentation, adaptive methods, integrative approaches, and analysis and approbation of international experiences.

Analysis and Discussion of Results

The successful conduct of any audit process and the formation of a fair, objective audit opinion are partly related to the correct and effective planning of audit processes.

Audit planning is one of the initial stages of the audit process, which includes processes such as accepting the client, continuing to work with them, and developing a strategy and plan to properly conduct the audit process.

The planning phase of an ESG audit is different from the planning phases of other audits in that it is multifaceted. In this regard, the auditor is required to approach this planning phase with care and caution.

The ESG audit planning phase begins when the client proposes an audit to the audit firm and consists of three components.

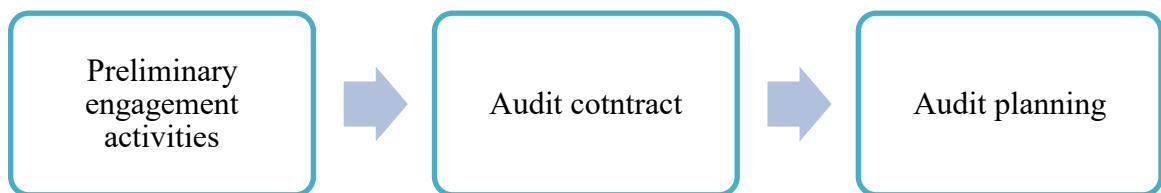


Figure 1. Structural indicators of the ESG audit planning stage¹

Pre-audit activities are the starting point of an ESG audit and encompass several processes.

After the contract is signed, the auditor begins the audit process and directly carries out the audit planning. Audit planning provides the auditor with several opportunities, in particular:

- Paying sufficient attention to important aspects of the audit;
- Identify and resolve potential problems in a timely manner;
- Ensuring the proper organization and conduct of the audit process;
- Selecting members of the audit team with sufficient skills and qualifications;
- Direct the work of the audit team and organize the review process;
- Effectively organize the use of expert, internal audit and other work.

The auditor plans the audit process by preparing two documents: the audit strategy and the audit plan. The components of an audit strategy are listed below.

¹Compiled by the author

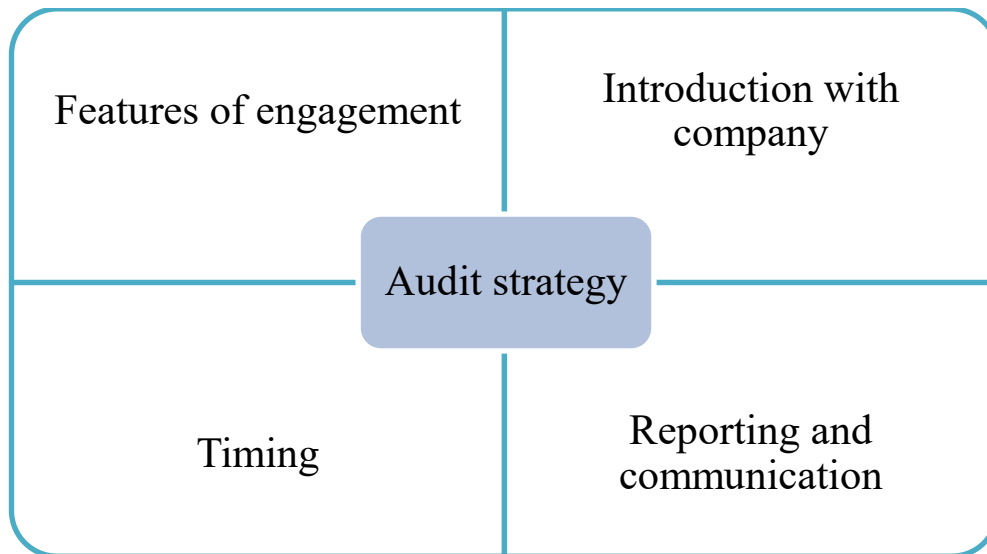


Figure 2. Components of an audit strategy in an ESG audit²

The unique feature of an ESG audit is that it requires work to be carried out in three different areas: environmental, social, and governance.

In developed countries, businesses have developed ESG management and the resulting reports, and these reports are useful for users in making decisions on sustainable development issues.

Therefore, another feature of the ESG audit conducted is that it considers the question of which ESG laws the country operates under and what types of reports it requires businesses to prepare.

The auditor should also pay attention to the following when developing an audit strategy:

- The sustainability data used in the audit and its source;
- Having sufficient resources for the audit process;
- The issue of using other audit or expert work and gathering evidence.

In addition, the audit team leader, participants, and experts must organize discussions on various issues of the audit process, in particular, the issue of disclosing material errors, i.e., fraud and its consequences.

The audit strategy sets out the overall approach to this ESG audit, but an audit plan is developed to achieve and complement the objectives outlined in this strategy.

An audit plan is more detailed than an audit strategy and is prepared in a risk-based manner, meaning that the procedures outlined in this plan should help identify potential risks that may exist in enterprises and organizations.

The table below provides a sample ESG audit plan format, which is recommended.

²Presented in this form by the author

Table 1 ESG audit plan recommendation template³

No.	Procedures	Deadline	Auditor	The enterprise responsible person	Documents
1	Regarding environmental issues:				
2	On social issues:				
3	Regarding management issues:				

In this form, it is advisable for auditors to develop separate procedures for each issue, namely environmental, social, and governance issues, and to record them separately in the plan.

Conclusion and Suggestions

In conclusion, ensuring the overall quality and effectiveness of an ESG audit largely depends on the proper organization of this audit, i.e., clearly identifying risks, and properly designing the audit strategy and plan. Proper organization of the audit process ensures that the subsequent stages of the audit are effective and sufficient to provide reasonable assurance.

References

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³Developed by the author