

ISSN
2181-2128

2022
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"ЛОГИСТИКА ВА ИҚТИСОДИЁТ"
илмий электрон журнали

"ЛОГИСТИКА И ЭКОНОМИКА"
научно-электронный журнал

"LOGISTICS AND ECONOMY"
scientific-electronic journal

www.economyjournal.uz

Электрон журнал Олий Аттестация комиссиясининг миллий илмий нашрлари рўйхатига киритилган.

"ЛОГИСТИКА ВА ИҚТИСОДИЁТ"

илмий электрон журнали

2022 йил
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ESSENCE OF MARKETING AUDIT AND PROCEDURES FOR ITS CARRYING OUT

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Abstract. *The introduction of marketing management requires the development of control over the marketing system, one of the forms of which is audit. The article considers the essence and functions of marketing management, clarifies the definition of marketing audit, characterizes its subjects, objects and procedures for obtaining audit evidence in accordance with international and federal audit standards.*

Keywords: *marketing management, marketing audit, audit standards, audit procedures.*

1. Introduction.

In a market environment, the openness of economic entities is increasing, which is a system with interrelated processes that depend on both the internal and external environment. When making managerial decisions, managers should rely on an analysis of external factors, among which consumer requirements play a significant role, and correlate the information received with an analysis of internal capabilities, i.e., the potential of the enterprise. Thus, consumer-oriented marketing management acquires the value of an independent type of management that requires implementation and development.

At the beginning of the transition to a market economy, many authors gave equal importance to the terms "marketing management" and "marketing management". This was largely due to the peculiarities of the translation of foreign literature devoted to marketing problems, the lack of practice of market orientation and the specifics of understanding market conditions of management. Nevertheless, today it is necessary to distinguish between these concepts. Marketing management, in our opinion, is a separate management function along with production management, finance and other areas that are part of the enterprise system. Marketing management, which appeared in Russian theory and practice later, is a management based on marketing principles and generally oriented to the market and the consumer.

2. Literary review

Since the creation of innovative clusters and the reduction of marketing costs is one of the activities carried out around the world today, international scientists Z. Rakhmetulina, O. Poktayeva,¹ in their research discussed the optimization of innovative clusters. In their

¹ Rakhmetulina, Z., Pokataieva, O., Trokhymets, O., Hnatenko, I., & Rubezhanska, V. (2020). Optimization of the structure of an innovative cluster on a competitive basis in a free market. *Financial and credit activity: problems of theory and practice*, 4(35), 238-247.

research, they listed the current importance of the cluster, especially the agro-cluster, and ways to make it more efficient and effective based on intensive conditions and factors.

D. Fendauna and C. Badele conducted research on the contribution of innovative clusters to increasing competitiveness and economic efficiency.²

In his article, *The Fourth Industrial Revolution and Implications for Innovative Cluster Policies*, S. Park discusses the Fourth Industrial Revolution and the importance, place, and innovation cluster policies of states.³

T. Pogodina and M. Veselovsky studied the role of clusters in socio-economic development. They studied the ways of improving the innovative capacity of socioeconomic systems based on formation and development of innovative clusters; justifies the need for implementation of the cluster approach, analyzes the models and mechanisms for developing an innovative socioeconomic system, tools, and trends in scientific and technological development of the country; provides with the guidelines to improve the incentive mechanisms for the innovative activity and with innovation policy tools.⁴

In the field of agriculture, clusters are a widely developed area today, and there are many foreign and local scientists who have conducted research and analysis in this area. On the example of foreign scientists A. Glotko, I. Sicheva, A. Dunets and others. During their research, they talked about the importance of the cluster in cluster agriculture, especially in farm cooperatives, and the factors that affect it.⁵

E. Ivanova, A. Nikitin have been proponents of cluster optimization. They believed that the installation of modern dynamic power and wireless touch connections in the cluster would increase efficiency.⁶

3. Research methods.

This article analyzes the importance of clusters and the difference between simple and innovative clusters. Analysis, synthesis, inductive and deductive methods were used in the analysis process. The article highlights the importance of clusters and their previous and current status by comparative method.

4. Analysis and results.

Due to the later appearance, this type of management and its functions remain insufficiently studied in domestic science, and also do not have proper distribution in the practical activities of Russian organizations. By marketing management, we mean a corporate management system (integrating the interests and values of employees of the enterprise), aimed at generating the efforts of the team to form consumer demand and achieve consistency of internal real capabilities (material, technical, financial, production and intellectual potential) with the requirements of the external environment (competition), government regulation, economic, scientific, technical and socio-cultural factors) to achieve market success of the enterprise.

Marketing management can be viewed as a management system with its own specific characteristics and structure. For any organization, this system will consist of interrelated elements: concepts, goals, missions, management philosophy, structure, methods, patterns, principles, criteria that determine the effectiveness of management. The specifics of marketing management will be manifested in each of these components, and the dependence on the object of management will necessarily be traced. This is management, in which the main attention is focused on the analysis of market trends, and these trends underlie both

² Fundeanu, D. D., & Badele, C. S. (2014). The impact of regional innovative clusters on competitiveness. *Procedia-Social and Behavioral Sciences*, 124, 405-414.

³ Park, S. C. (2018). The Fourth Industrial Revolution and implications for innovative cluster policies. *AI & SOCIETY*, 33(3), 433-445.

⁴ Pogodina, T. V., Veselovsky, M. Y., Abrashkin, M. S., & Aleksakhina, V. G. (2015). Improvement of the innovative capacity of a socioeconomic system based on the development of the cluster approach. *Asian Social Science*, 11(1), 304.

⁵ Glotko, A. V., Sycheva, I. N., Dunets, A. N., Kolupaev, A. A., Makarov, A. N., & Anikienko, N. N. (2018). Development of the regional agriculture through the cluster approach in Russian Federation. *International Journal of Mechanical Engineering and Technology*, 9(11), 1156-1168.

⁶ Ivanova, E. V., & Nikitin, A. V. (2018). Cluster-cooperative project of innovative development of agriculture. *Quality-Access to Success*, 19.

goal-setting, and the development of management decisions, and the entire organization of management. The content of activities in the field of marketing, which allows for a control action, reveals the functions of marketing management. Based on the typology of general management functions, we have proposed a typology of functions inherent in marketing management in the service sector:

- integration of activities;
- general;
- basic;
- subject;
- differentiation of activities;
- specialized.

Marketing audit and control are specialized functions and deserve special attention, since they play the role of feedback, without which effective management is impossible.

Currently, there is no consensus on the definition of marketing audit. Let us dwell on the methodological aspects of substantiating the concept of "marketing audit".

Uzbek legislation determines that an audit is an independent verification of the accounting (financial) statements of an audited entity in order to express an opinion on the reliability of such statements. Nevertheless, there is a broad interpretation of the essence of the audit in relation to other objects of verification, for example, environmental audit, energy saving audit, audit of the effectiveness of various systems. We consider it possible to apply the concept of "audit" in scientific and practical areas in relation to objects that go beyond the scope of accounting (financial) statements, but with the observance of the main characteristics that distinguish it from other types of control activities. Based on the study of the existing definitions of audit, outlined in the works of foreign and domestic scientists, the following features can be distinguished that characterize its essence as a type of professional activity:

- ❖ this is a specific process carried out by an independent auditor with appropriate authority;
- ❖ audit consists in collecting, analyzing and evaluating information about the activities of any system (subject);
- ❖ the purpose of the audit is to express the opinion of the auditor on the compliance of the studied actions and (or) indicators with the established criteria;
- ❖ audit results are designed to meet the information needs of interested users (stakeholders).

Taking into account that marketing audit services can be provided by audit firms and individual auditors, it is necessary to determine what type of audit activity this type of service belongs to in accordance with the current legislation and audit standards.

The Law of February 25, 2021 "On Auditing" establishes three areas of professional activity of auditors:

- audit;
- accompanying services;
- other services related to audit activities.
- The list of related services is established by federal standards, according to which auditors can currently provide three types of related services:
 - Agreed procedures for financial information;
 - review of financial (accounting) statements;
 - compilation of financial information.

In our opinion, a marketing audit cannot be attributed to any of the listed related services, since, firstly, they all relate exclusively to financial information, and the object of the service in question is a wider range of data used and, secondly, the marketing audit technology is closest to the audit technology, and not to the techniques and methods of

providing the listed related services. Based on the foregoing, we consider it possible to attribute marketing audit to other services related to audit activities.

It should be noted that the approach to the classification of audit types, practiced in accordance with the provisions of Russian legislation, does not coincide with the interpretation adopted in the International Standards on Auditing (ISA). Thus, ISAs distinguish two types of audit services:

✓ assurance engagements (audits of historical financial information, reviews of financial information, other assurance engagements). A distinctive feature of these services is the formation by the auditor of his own opinion on the results of the audit, which provides a certain level of confidence of interested users in the reliability of the information verified by the auditor;

✓ related services (agreed procedures, compilation of financial information). When these services are provided by the auditor, due to their nature, assurance is not provided, since there is no need to express the opinion of the auditor.

There are no other services related to audit activities in the international classification.

Since the result of the marketing audit is the expression of the auditor's opinion about the object of study, this service, according to ISA, should be attributed to the first type of service, and more specifically, to other tasks that provide assurance.

Thus, discrepancies in relation to the classification of audit services have been identified in the domestic and international regulatory framework.

Table 1

Types of audit services

Regulatory document	Type of service	Attribution of marketing audit to a specific type of audit services (+, -)
Federal Law of February 25, 2021 "On Auditing"	Audit	-
	Accompanying services	-
	Other audit-related services	+
International Auditing Standards	Confidence Services	+
	Accompanying services	-

We believe that it is necessary to amend the Russian legislation in accordance with the ISA, which will eliminate such disagreements and contribute to a common understanding of the essence of all types of audit activities.

Based on the specifics of marketing audit as an audit service, we propose to clarify the constituent elements of the essence of marketing audit: definitions, subjects, objects, goals, methods and techniques.

It should be noted that the discrepancies in the wording of the term "marketing audit" or "marketing audit", and in the primary sources - marketing audit are caused by the peculiarities of the translation of foreign publications. This phrase, in our opinion, implies a marketing audit, since the concept of "marketing audit" is not aimed at marketing as an audit object, but at the characteristics of audit activities carried out using a marketing approach.

F. Kotler defined marketing audit as a comprehensive, systematic, independent and regular study of the environment, goals, strategies and activities of the company in order to identify problems and opportunities, as well as to develop proposals for drawing up an action plan aimed at improving the effectiveness of the company's marketing. Many foreign and domestic followers of the outstanding scientist in the field of marketing adhere to the same positions. But the definition given by him runs counter to the methodological foundations of audit, established in the course of numerous scientific studies.

One of the controversial provisions of the definition given by F. Kotler is the mention of the company (or its divisions) as the only possible subjects of the audit. But one of the

characteristic features of an audit is that an audit is an independent verification, therefore, to conduct a marketing audit, it is possible both to use an internal unit or person, and to involve an independent third-party expert auditor, an audit or consulting company. However, since the subject area of such an audit lies in the sphere of internal commercial interests, the initiative to conduct it can only belong to the owners or management of the enterprise.

A significant characteristic of the essence of the audit is the definition of its purpose. Marketing specialists, mentioning the assessment or analysis of compliance with certain criteria as the purpose of the audit, repeat the methodological mistake made at an early stage in the development of audit activity in Uzbekistan and subsequently corrected by law. Thus, the Provisional Rules for Auditing Activities in Uzbekistan, approved by the Decree of the President of Uzbekistan, determined the establishment of the reliability of the financial statements of the audited entities as the main goal of the audit. Reliability is a category that is difficult to formalize (as well as an assessment of the compliance of an enterprise's marketing policy with the chosen strategies), the conclusions of different auditors based on the results of checking the same object may not coincide due to the subjectivity of this type of professional activity. Therefore, in the law of May 26, 2000 "On Auditing", the wording of the audit goal was changed (expressing the auditor's opinion on the reliability of the statements) and kept practically in the same form in the new edition of this law of February 25, 2021. Since the auditor acts in the interests of an unlimited range of users, this imposes certain obligations on him in relation to compliance with ethical principles, which is designed to ensure the confidence of stakeholders in the expressed opinion. The Code of Ethics for Professional Accountants adopted by the International Federation of Accountants and the Code of Professional Ethics for Auditors approved by the Audit Council under the Ministry of Finance of Uzbekistan establish the following ethical principles:

- ❖ honesty;
- ❖ objectivity;
- ❖ professional competence;
- ❖ due diligence;
- ❖ confidentiality;
- ❖ professional behaviour.

In situations where an audit is carried out, the principle of independence is also required.

One of the conditions for formulating conclusions based on the results of the audit is the use of criteria, compliance with which the auditor checks. When conducting a marketing audit, the establishment of such criteria is difficult, since the effectiveness of marketing work is directly related to the effectiveness of the business as a whole. At the same time, if there is an effective work of production services, it is possible to reduce their efforts to zero when pursuing an inefficient marketing policy. Therefore, one of the tasks of the auditor will be to highlight the component of income and profit, which depends on the results of the work of the marketing department, as well as the management of the organization responsible for making decisions in the field of marketing. Another solution, as noted by D.V. Tyurin, if the audited company has a clear strategy, it can be monitoring the implementation of planned indicators and developing a system of indicators for each element: strategically important business processes and objects are determined, business strategies included in the marketing system, traceable indicators with a criteria base are introduced for each process clustering of each indicator. Summarizing the above, it is possible to put the assessment of the adequacy of the elements of the marketing system of the audited entity to the requirements of the market as the basis for determining the purpose of the marketing audit, which will characterize the degree to which the enterprise uses the available opportunities and competitive advantages.

The identification of problems and hidden potential, given in the definition of F. Kotler, is closely related to the assessment of the effectiveness of the marketing policy being implemented and its compliance with the conditions of the market environment, and the

development of an action plan to improve marketing should be carried out based on the results of the audit and can be carried out both by the auditor and the management of the audited entity, as well as the marketing unit itself. Based on this, we considered it inappropriate to leave these provisions in the definition of marketing audit, since they complicate it and make it contradictory.

Another aspect of the definition under study that needs to be clarified is the enumeration of the objects of marketing audit: the marketing environment, goals, strategies and activities of the enterprise. In our opinion, the definition contains too general concepts of goals, strategies and activities that may relate to the enterprise as a whole. Modern researchers in the field of marketing offer a more specific understanding of the objects of marketing audit, highlighting the external and internal environment among them. D.V. Tyurin combines them into the concept of "elements of the marketing system". The Royal Institute of Marketing (The Chartered Institute of Marketing) mentions elements of the external (economic, competitive and market) and internal environment. V.D. Shkardun specifies the objects of the external environment (macro factors, competitors, customer segmentation, groups of influence) and the objects of the internal environment (strategic planning, management and personnel, business project development system, marketing assessment and control, sales, product range). Agreeing with the above opinions, we consider it possible in general to formulate the definition to designate the objects of marketing audit in the form of factors of the external marketing environment and the internal marketing system.

Thus, taking into account the above remarks, the following definition of marketing audit can be proposed: a comprehensive, systematic, independent, periodic study by the auditor of the factors of the external marketing environment and the internal marketing system of the enterprise in order to express an opinion on the adequacy of the use of existing opportunities and competitive advantages by the enterprise.

Methods and techniques for collecting, analysing and evaluating information used in marketing audits can be classified into two groups:

- traditional, used in the audit of accounting (financial) statements;
- specific, characteristic for marketing researches.

The International Auditing Standard 500 Audit Evidence (Audit Evidence) and the Federal Auditing Standard 7/2011 "Audit Evidence" (hereinafter referred to as FSAD 7/2011) when auditing accounting (financial) statements provide for the use of such procedures for obtaining audit evidence as a request, inspection, observation, confirmation (in ISA 500 - external confirmation), recalculation, re-conduct, analytical procedures, or a combination of them.

Let's consider the possibilities of applying classical audit procedures in relation to the marketing system.

The request procedure involves addressing both the employees of the audited organization or its division, and third-party knowledgeable persons on issues of interest to the auditor. The request can be either formal written or informal verbal. Subjects to which this procedure can be applied include: managers and personnel of the audited organization, including employees of the marketing department, customers, counterparties of the audited organization.

With the help of a request, it is possible to obtain information of interest to the auditor regarding the aspects necessary for the implementation of marketing management: the development of a marketing strategy, the organization's policy regarding the study of consumer preferences, methods for determining target market segments, the formation of corporate identity and image of the organization, the availability and implementation of an action plan in relation to advertising and PR campaigns. In addition, the request is widely used as part of specific marketing audit procedures, which will be described below.

Inspection is a study of documents created by the audited organization or received by the auditor from outside, as well as an inspection of existing property. This procedure will

provide the auditor with evidence in relation to documenting the marketing policy of the organization and its components, will allow to characterize the existing system of internal marketing control, to verify first-hand the presence and adequacy of the corporate identity elements used. In addition, the use of inspection is justified in order to obtain data indicating the results of the organization's activities and the effectiveness of the marketing strategies being implemented. The objects of inspection during the marketing audit, in addition to the property of the organization, are its financial and non-financial documents:

- ❖ accounting (financial) and internal reporting of the audited organization;
- ❖ accounting registers containing information about the costs of marketing and promotional activities;
- ❖ planning and budgeting documentation;
- ❖ minutes of meetings of responsible persons concerning aspects of the implementation of marketing management;
- ❖ internal regulations that fix the strategy, elements of corporate culture and corporate identity of the organization;
- ❖ primary and summary documentation on ongoing market research and consumer preferences;
- ❖ archives of the marketing service, etc.

An oversight procedure can be applied by an auditor to a process or activity performed by the organization's personnel. The objects of this procedure are the facts of economic life related to the functioning of the marketing department and the direct provision of services. So, the auditor can get acquainted with the course of performance of official duties by employees of the marketing service, observe the process of interaction between staff and customers, pay attention to the actions of the management that correspond to the subject of the audit. When evaluating the results of monitoring, it must be remembered that this procedure may affect the actions of management and staff, and that the observed processes may be characteristic only for a specific period and sector of activity.

Confirmation is the process of obtaining information from a third party in writing. According to ISA 500 and FSAD 7/2011, the carriers of the evidence obtained can be both paper and electronic. Third parties may include customers, customers of the entity being audited, suppliers and contractors, service organizations and other entities. The confirmation procedure, along with the inquiry procedure, is also widely used in the implementation of specific marketing audit techniques.

The recalculation procedure consists in checking the accuracy of the arithmetic calculations contained in the information base being audited. In the case of the provision of the service in question, this may be the results of processing data on market research, planned calculations, justifications for choosing a pricing policy, and similar data.

ISA 500 and FSAD 7/2011 require the auditor to independently perform a procedure or control action that was originally performed as part of the internal control system of the auditee. When auditing marketing, these can be: activities related to the evaluation and control of marketing policy; repeated activities related to the study of segments of the consumer market (for example, new surveys or processing of primary information obtained as a result of previously conducted surveys).

Analytical procedures consist in the analysis of the relationships between the data obtained, as well as in the study of identified deviations and relationships that contradict information received from different sources, or significantly diverge from the forecast data. This type of procedure is most widely used in the verification of almost all of the above objects of marketing audit, as well as in the formation of the auditor's opinion on the results of the audit. The described procedures include such well-known methods as SWOT analysis, Porter's five forces analysis, PEST analysis, etc.

Specific methods of obtaining audit evidence are closely related to the characteristics of the organization's marketing activities and are diverse. On closer examination, it can be noted

that some of them are combinations of the already described classical procedures for obtaining audit evidence in combination with special techniques. Since we proposed to divide audit objects in relation to the audited entity into external and internal, the methods used to verify them may vary depending on the specifics of a particular object. So, D.V. Tyurin defines the main methods for obtaining information about the competitive environment: office, field and undercover. The last of these methods cannot be recommended to the auditor, since their use may be associated with a violation of the principle of respect for trade secrets. Desk and field methods most often combine the procedures of observation, inspection, re-conduct, inquiry and confirmation.

The variety and varying degrees of complexity of performing techniques for obtaining audit evidence oblige the auditor to comply with the provisions of ISA 500 and FSAD 7/2011 regarding the relevance and reliability of the information received. The evaluation of these characteristics is a matter of the auditor's professional judgment. It must be remembered that the relevance is provided by the logical connection of the goal, the nature of the procedure being carried out and the specific object being checked, as well as the available resources. For example, conducting a field study of the state of the competitive environment, which requires a long time and significant labor costs, may not be appropriate, and it would be more rational to replace it with a study of secondary marketing information about competitors that is available in the public domain, which will lead to similar results. In addition, the auditor should take into account that the verification procedures should cover the entire range of audited objects, it is unacceptable to replace the lack of key data on other aspects with an excessive amount of evidence in relation to one of them.

5. Conclusion and recommendations

The above research results allow us to characterize the common features and differences between the audit of marketing and the audit of accounting (financial) statements.

Table 2

Comparative characteristics of the essence of marketing audit and audit of accounting (financial) statements

Essential element	Marketing audit	Audit of accounting (financial) statements
Target	Expression of the auditor's opinion	
Subjects	Independent auditors	
Objects	Factors of the external marketing environment and the internal marketing system	System of accounting and preparation of accounting (financial) statements
Criteria	Adequacy of use by the enterprise of available opportunities and competitive advantages	Compliance with laws and regulations
Methods and techniques	Traditional audit procedures and specific marketing research methods	Traditional audit procedures and their combinations

International Standard on Auditing 500 and FSAD 7/2011 also draw the auditor's attention to the fact that the reliability of information obtained during the audit depends on the source of its receipt and on the circumstances in which it was prepared and received. As a rule, the reliability of the results of procedures carried out by the auditor on his own, without the involvement of the organization's personnel, is more highly valued, but in cases where there is evidence of the professional competence and integrity of the personnel, the use of its work reduces the auditor's labor costs and increases the reliability of the data obtained during

the audit. The appendix to FSAD 7/2011 provides examples of questions designed to examine the work of an expert of an audited entity that can be used in assessing the solvency of personnel whose results are used by the auditor.

Thus, we can conclude that marketing audit is an independent area of professional activity that is updated in the context of marketing management, which has common features with the audit of accounting (financial) statements, but is characterized by its own criteria, objects and methods of implementation.

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