



IMPROVEMENT OF ACCOUNTING BALANCE AUDIT BASED ON INTERNATIONAL AUDITING STANDARDS.

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Abstract: *This article shows that the international auditing standards differ from the national auditing standards by detailing the auditing requirements and giving examples. For this reason, the study of international auditing standards contributes to the increase of quality audits and the increase of the reputation of the auditor profession among the public, and the tasks of training based on the requirements of the standards and regularly improving their qualifications are set.*

Key words: *Federation of Accountants, International standards, production costs, semi-finished products, market integration.*

Today, auditing activities are gradually developing and are organized based on the requirements of international standards. Therefore, as in all objects of the audit, the audit of the accounting balance requires the wide application of the requirements of international auditing standards.

Most of the countries of the world have offices of national monitoring auditor-consulting firms, all of which widely use international auditing standards and norms corresponding to them.

As is known, International Auditing Standards are used differently in countries around the world. The main reason for this is that different accounting models are in effect in these countries. The different accounting and auditing systems in different countries around the world require the harmonization and implementation of standards in the field of auditing. In particular, this activity is carried out by the International Auditing Standards and Assurance Board (IASB) of the International Federation of Accountants (IFAC), which was established on October 7, 1977 (until 2006, it was called the International Auditing Practices Committee). The International Federation of Accountants is a global organization of the accounting profession.

The International Auditing Standards and Assurance Board of the International Federation of Accountants (IFAC) has set itself the main goals of serving the public interest, enhancing the reputation of the accounting and auditing professions in the global economic community, conducting ongoing research to help raise the level of professionalism in countries that are below the global level of professionalism, and continuously improving high-level international auditing standards and unifying auditing internationally. The staff of the International Auditing Standards and Assurance Board consider it important to work within the framework of such human values as professionalism, transparency and discipline in achieving its main goals.



International auditing standards differ from national auditing standards in that they detail auditing requirements and provide examples. Therefore, studying international auditing standards contributes to the increase in the quality of audits and the increase in the prestige of the auditing profession among the public.

As is known, the economic process never stands still, it is always developing, improving, in philosophical terminology, following the laws of dialectics. This process is evidenced by the fact that problems of unification of accounts arise between countries. One of the tasks that international auditing standards solve is to unify the national accounting and auditing systems of countries. In order to more fully meet the needs of users of financial statements, international auditing standards should be regularly revised and improved. In this regard, we find it necessary to emphasize that the International Auditing Standards and Assurance Office plans to revise international auditing standards during 2006-2011. It is planned to develop objectives, requirements and application guidelines for each standard. To date, this office has revised three standards and prepared a preliminary draft of 11 revised standards. The International Standards on Auditing and Assurance were revised and reissued by the International Auditing Standards and Assurance Board in 2001 and 2007. The changes were made to three new "risk standards" to improve the effectiveness of risk assessment and audit procedures. These changes were made in 2005 based on the revised standards on audit planning and (ISA 300) and fraud (ISA 240).

It would be appropriate to use the following international audit standards during the audit of the accounting balance.

1. №220 KHAS - "Quality control of actual financial information audit";
2. XAC #230 – "Documentation";
3. IAS #240 - "Auditor's responsibility in the examination of extortion and errors during the audit of financial statements";
4. №250 KHAS – "Review of laws and regulatory documents in the audit of financial statements";
5. XAC #300 – "Planning of an audit of financial statements";
6. №315 KAS – "Understanding the entity and its environment, assessing the risk of material errors";
7. IAS No. 320 - "Materiality in Audit";
8. №330 KHAS - "Auditor actions aimed at assessed risks";
9. XAC No. 500 – "Audit Evidence";
10. XAC #510 – "Initial agreements - initial balance";
11. №520 KHAS – "Analytical procedures";
12. ISA No. 530 – "Audit Sampling and Other Substantive Testing Procedures";
13. XAC #545 – "Fair value assessment audit and information disclosure";
14. XAC #560 – "Future events";



15. XAC #600 – "Using the work of another auditor";
16. №610 KAS – "Review of internal audit service";
17. XAC #620 – "Use of express work";
18. No. 700 KHAS – "Auditor's report on financial reporting";
19. KAS No. 810 - "Prospective Financial Statement Audit" and others.

As is known, taking into account that the national standards of auditing of the Republic of Uzbekistan are based on international auditing standards, most of the above standards are also found in our national standards. Many changes were made to international auditing standards in 2004, while the main part of our national standards was developed and put into practice in 1999-2003. In our opinion, we believe that it is necessary to revise our national standards based on international auditing standards.

In international practice, the study of internal control systems is presented in the newly adopted ISA No. 315, entitled "Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement," which differs from our national auditing standard No. 12.

The auditor uses knowledge of internal control over the audit of the balance sheet to identify the types of errors present, to study the factors affecting the risk of material errors, and to determine the nature, timing, and extent of audit procedures. According to ISA 315, internal control consists of the following components (Figure 6).

In our opinion, the positive aspect of dividing internal control into five components is that it examines how various aspects of an entity's internal control affect the audit process. The auditor focuses on how certain types of controls prevent, detect, and correct material misstatements in specific classes of transactions, disclosures, and balances, and material misstatements associated with their confirmation.

It should be noted that the auditor's professional judgment determines whether to examine these components of internal control together or separately when assessing the risk of material misstatement in the course of examining the entity's internal control.

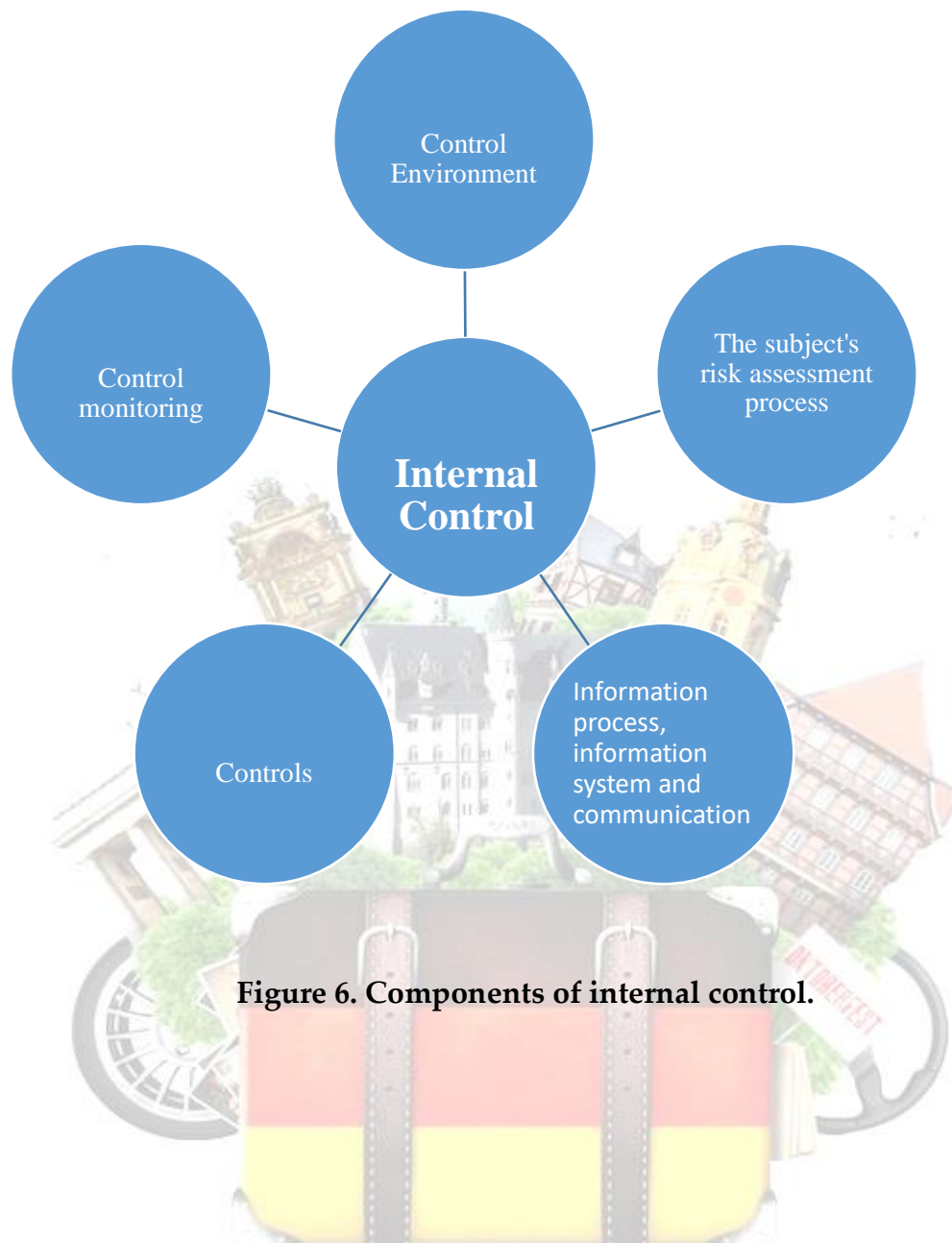


Figure 6. Components of internal control.



Another important point is that both the national auditing standard of the Republic of Uzbekistan and the international auditing standard recognize that auditors, when assessing the internal control system, evaluate it based on their professional judgment. In our opinion, this is also a problematic situation, because, based on the individuality of a person, two auditors can assess the internal control of one business entity in two ways, which can ultimately affect the scope of audit procedures and the audit conclusion. Taking this into account, we believe that it would be appropriate to use a test questionnaire to assess the internal control system by determining the weight of the number of positive answers in the total question. In this case, if:

- If the number of positive responses is between 40-60% of the total responses, then the level of the internal control system is assessed as low;
- If the number of positive responses is less than 40%, the internal control system is assessed as weak;
- If the number of positive responses is above 60%, then the internal control system is assessed as high.

International practice shows that the use of testing methods in collecting audit evidence gives positive results. Because it allows for the operational analysis of the data obtained through the testing method. According to the International Auditing Standards, testing methods are recommended to be used "in order to confirm the evidence, including the effectiveness of controls, when assessing the risk or when the data as a result of substantive testing is insufficient." ¹Our national audit organizations often perform substantive testing, and we know that this requires a lot of work.

When determining the scope of control tests in accordance with AXS No. 330, the following questions should be considered:

- first of all, the frequency of control by the subject during the period;
- secondly, the duration of the audit period when the auditor relies on control efficiency;
- third, the extent of audit evidence obtained on the basis of tests;
- fourth, when assessing the risk of control effectiveness, the auditor's plan to rely on it;
- fifth, to expected deviations from controls.

There are also some shortcomings in the documentation of audits in our national audit organizations. During our literature analysis, documentation was covered only from a theoretical perspective, based on standard data. From a practical perspective, that is, in terms of documentation methods and methodologies, the approach was rarely explained.

The International Standard on Auditing No. 230, "Audit Documentation," revised in 2018, requires that audit evidence that forms the basis of the audit report be documented in

¹ Sbornik mejdunarodnyx standartov audita, vyrajeniya uverenosti etiki. No. 330 MSA, MFB. 2006 r. str. 322



a timely manner, that an experienced auditor who was not involved in the audit conducts a review of the work performed on these documents, the results and evidence obtained, and significant questions and conclusions, that alternative procedures be documented in special circumstances for deviations from the requirements of the standard, and that audit documentation not be discarded or destroyed after final files are collected (unless the retention period for the documents has expired).

Many of the above requirements are also included in the National Auditing Standard of the Republic of Uzbekistan No. 6 "Documentation", but the term "experienced auditor" in ISA No. 230 is defined, and the founders of the International Standard on Quality Control set a retention period of documents for up to 5 years from the date of the audit report, although such changes were not reflected in our national standards. In our opinion, we propose to revise the National Auditing Standard No. 6 "Documentation" based on international standards.

Documentation is organized in international practice and audit organizations of our country from a methodological point of view through chronological documentation and systematic documentation.

Chronological documentation is the process of sequentially documenting evidence gathered during an audit. Systematic documentation is carried out by gathering evidence on audit objects as a certain system (the documentation system should be provided in the internal standards of audit organizations).

In our opinion, it would be advisable for our national audit organizations, which use the systematic documentation method, to organize evidence by displaying it on colored sheets of paper, as this would provide the auditor with a good opportunity to gain orientation based on the results of the documentation.

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