



PECULIARITIES OF APPLYING THE CONCEPTS OF AUDIT RISK AND MATERIALITY IN THE FINANCIAL AUDIT PROCESS

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Abstract. In this thesis, specific aspects of the application of the concepts of audit risk and importance in the financial audit process have been researched and suggestions and recommendations have been made.

Key words: materiality, audit risk, inherent risk, control risk, non-detection risk, errors, material misstatements

One of the tasks to be carried out after the initial acquaintance with the client organization is the assessment of the existing audit risk and significance.

Audit risk and significance are very broad concepts, and scholars have different views and definitions of these concepts. In particular, in the thesis work, the definitions and definitions of local and foreign scientists on audit risk and importance are considered.

In particular, Sh. I. Ilhamov defined the concept of significance as follows: "Severity (importance) is the maximum amount of incorrect amount that can be recorded in financial accounts, which is considered insignificant, that is, does not allow users to be mistaken."

Economists K.B. Akhmedyanov and I.I. Yakubov approached the concept of importance in the audit as follows:

"The reasons for non-significant (minor) errors not being checked by the auditor:

- these errors are very small and do not seriously affect the decision of users of financial report data in any case;
- it takes a lot of time and money to identify and correct the cause of minor errors;
- as a result of the time spent on identifying the cause of these errors and correcting them, the deadlines for submitting essential reports may pass.



Also, in their works, N. Sanayev and R. Narziyev gave the following author's definitions of the concept of importance:

"Evaluation of seriousness, risk, business risk and control risk in the audit. Acquaintance with internal control system and assessment of control risk".

According to International Standards on Auditing No. 320, materiality by the auditor is "... both financial statements and separate accounts, transactions" are applied. It follows that the auditor calculates the level of importance for each accounting indicator, transaction, and financial report separately.

In addition to the importance of financial audit processes, the issue of audit risk is one of the important issues. Considering that audit risk is the risk that the auditor may express an incorrect audit opinion when the financial statements are materially misstated, the concept of audit risk is a complex concept in the general auditing process.

Since it is difficult to consider the overall risk of a financial statement audit, it is important to remember that the risks of misstatements that may affect the financial statements can be divided into three groups:

- Inherent risk (the risk of serious errors in reports);
- Controls risk (the risk that internal controls will not detect or prevent such errors);
- Risk of non-detection or non-detection (the risk that the auditor will not detect material error reports).

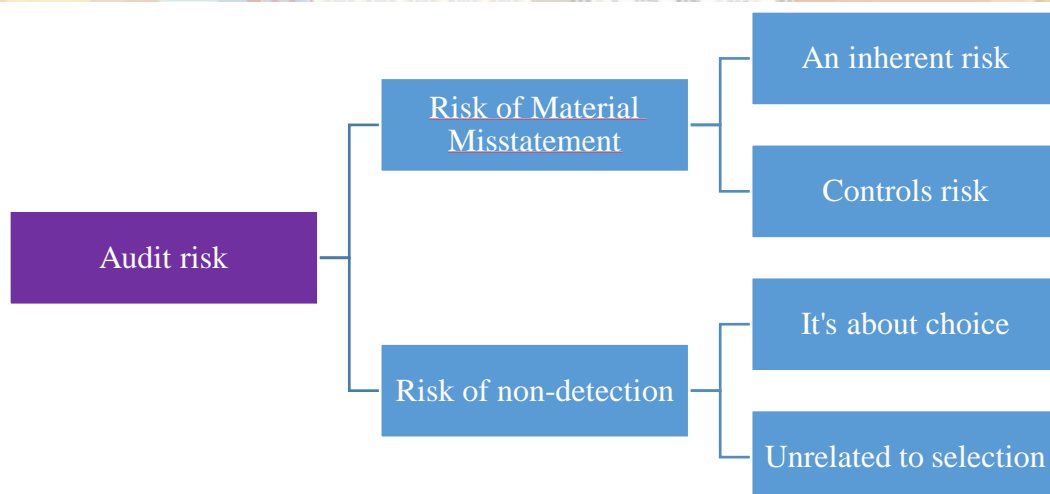


Figure 1. Audit risk and its classification ¹

¹ Systematized by the author



In the process of financial audit in budget organizations, it is appropriate to determine the audit risk based on the nature of the budget organization by the auditor. In this evaluation, it is necessary to pay attention to some issues.

The following figure shows the issues that auditors should pay attention to when assessing audit risk.

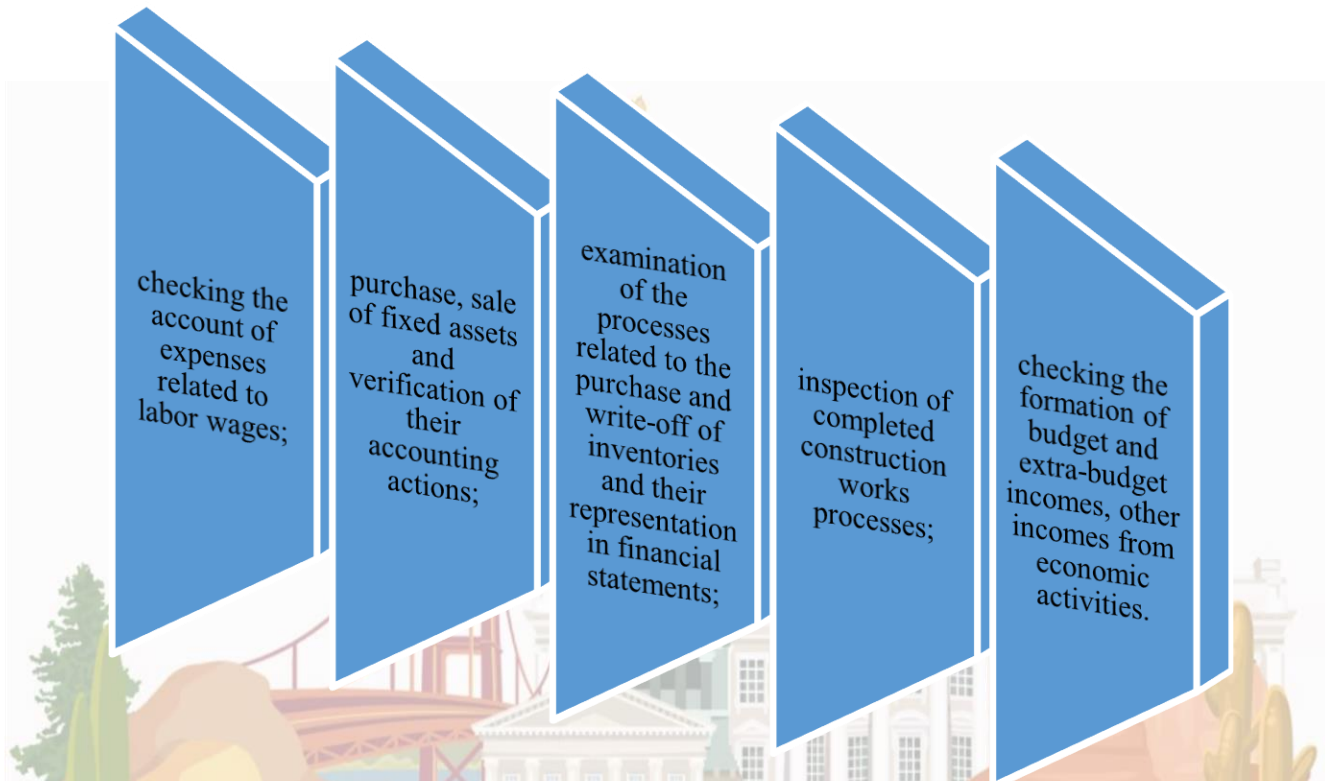


Figure 2. Issues to be considered in the assessment of audit risk in budget organizations ²

Based on the above, we can conclude that the correct assessment of audit risk is one of the important elements of financial audit processes. In assessing this audit risk, it is considered appropriate to implement it based on the auditor's financial report indicators and the cost structure of the cost estimate.

References:

1. "Importance in the process of planning and conducting the audit".
2. International Standards on Auditing No. 320

² Developed by the author



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