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ASSESSMENT OF AUDIT RISK IN THE BANKING AUDIT ON THE BASIS OF INTERNATIONAL STANDARDS OF THE REPUBLIC OF UZBEKISTAN

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Abstract:

Keywords: International Financial Reporting Standards, external audit, audit risk, control risk and non-detection risk, international auditing standards, internal risk, audit evidence, acceptable audit risk.

This article discusses the issues of audit risk in the external audit of commercial banks. It discusses the procedure for calculating audit risk and its components - the inherent risk, the risk of controls and the risk of non-detection. In the studies of foreign and Uzbek scientists on auditing and in the standards of auditing activities, there are mainly three components of the types of audit risk: internal risk, control risk and non-detection risk. We believe that these three composite types of audit risk summarize all the risks associated with the audit and reveal the essence of audit risk.

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INTRODUCTION

Audit risk assessment is one of the most basic stages of audit planning not only in commercial banks, but also in any business entity. Using the calculation of audit risk in practice, audit firms free themselves from unnecessary labor and financial costs, reduce the timing of the audit. The definition of audit risk allows audit firms to choose the optimal combination of audit procedures. When assessing their own risk, the auditor should understand that the magnitude of the information risk of users of the audited statements also depends on its magnitude, that is, the lower the audit risk, the higher the reliability of the audit opinion on the financial statements. And the reliability of information is the main factor in the process of making economic decisions.

1. RESULTS AND DISCUSSION.

As is known, the banking system has unique distinctive properties and this fact requires that the audit of commercial banks be taken into account taking these properties into account. In the position of the Central Bank of RU «The Regulation on the specifics of conducting audits by participating banks and in a group of banks and the procedure for issuing an auditor's qualification certificate for the right to conduct audits by banks in the Republic of Uzbekistan, was registered by the Ministry of Justice of the Republic of Uzbekistan on May 8, 2023 N 3432.»It is said "The purpose of the external audit of the bank is to objectively express the opinion of independent auditors regarding the reliability and compliance of the financial statements and other financial information of the bank with International Accounting Standards (IAS) and legislation.»[1. P.5].

The word "expression of opinion" indicates that the auditor's report is associated with a certain risk. Currently, one of the most basic tasks of a bank audit is to minimize audit risk. This requires improving the methods of assessing audit risks.

In some foreign countries, methodological recommendations on the assessment of audit risk have been developed, which can be used in practice. Currently, there are no standardized methods in the Republic of Uzbekistan that allow an adequate assessment of audit risk in commercial banks and increase the efficiency of the auditor's work. As a result, audit firms in our country approach the assessment of audit risks in their own way, and this situation negatively affects the quality of audits. The Republic of Uzbekistan has adopted a national standard on the assessment of materiality and audit risks, but it provides few practical recommendations on the assessment of audit risks.This reduces the use of the national standard in practice. Therefore, there is a need to make additions to this standard based on the study of international experience. Audit activity, as a special type of business activity associated with an independent examination of accounting statements, confirms the reliability of accounting statements, reducing the information risk for its users to an acceptable level. Thus, the relationship between audit and accounting is as follows: the effectiveness of the first is directly aimed at eliminating the shortcomings of the second, since establishing the reliability of accounting statements is only the ultimate goal of the audit, and the main intermediate goal is to help the accountant in choosing methods and methods of accounting for business transactions, in meeting the requirements of regulatory legal acts of the current legislation (civil, tax, currency, etc.), in the identification and timely correction of significant errors in accounting and reporting. Due to the fact that users of accounting statements need confidence in the absolute quality of the audit report, more and more stringent requirements are imposed on the work of audit firms and auditors. Auditing standards are being put into effect, a system of professional quality control of auditors' work is being developed, additional requirements for professional training are being imposed by the state. In these circumstances, audit organizations should pay more attention to such issues as audit planning, improving the quality of audits and improving the effectiveness of audit procedures. An adequate assessment of audit risks plays a very important role in achieving these goals. Since, using the calculation of audit risk in practice, audit organizations free themselves from unnecessary labor and financial costs, reduce the timing of the audit.

LITERATURE REVIEW

The audit organization cannot guarantee that the opinion expressed by it on the reliability of the accounting (financial) statements of the audited entity is absolutely objective. For example, during a random audit, an audit organization cannot be sure that all possible errors have been detected, since even when using a continuous method, there is a possibility of non-detection of violations. Consequently, there is always a risk of confirming unreliable accounting (financial) statements of the audited entity, which may have the most negative consequences for the audit organization.

The audit organization may also make the opposite mistake - not to confirm the reliable accounting (financial) statements of the audited entity. As a result, the audit organization may face reasonable claims of the audited person, whose interests and reputation have been unfairly damaged, or claims of users of the audit report regarding the quality of the work done by the audit organization and the reliability of the conclusions obtained.

Thus, the risk in the audit can be defined as the probability that the audit organization will make a mistake by forming an incorrect opinion about the reliability of the accounting (financial) statements of the audited entity.

Audit risk is interpreted by the national auditing Standard No. 9 as follows: "Audit risk is the probability, subjectively determined by the auditor, to recognize based on the results of the audit that the financial statements may contain undetected material misstatements after confirmation of its reliability, or to recognize that it contains material misstatements when in fact there are no such misstatements in the financial statements"[2. P.108-117.].

Roger Adams, a well–known expert in the field of accounting and auditing, defines audit risk as: "Audit or general risk is the danger that the auditor will make an incorrect conclusion from the audit procedures performed by him, i.e. an audit opinion will be provided without reservations for incorrectly prepared financial statements, and vice versa (the first is much more common)."[8. P.45-49.].

Well-known experts E. A. Ahrens and J. K. Lobbeck give the following definition of audit risk: "Audit risk is as follows: the auditor comes to the conclusion that the financial statements are compiled correctly, and on this basis expresses an opinion in the audit report without reservations, but in reality the financial statements contain significant errors."[9. P.211-213.].

A.Ibragimov and U.Tursunovs give several definitions of audit risk "Auditor's risk (audit risk) means the probability of undetected material errors and (or) misstatements in the financial statements of an economic entity after confirmation of its reliability or the probability of recognition of material misstatements in it, while in fact there are no such misstatements. Audit risk means the risk of expressing an improper audit opinion in cases where the financial statements contain material misstatements. Audit risk is the business risk of the auditor (audit firm), which is an assessment of the risk of inefficiency of the audit."[5. P/45-46.].

Many other specialists, such as U.Tursunov, I.Ibragimova, V.V. Skobara, V.V. Nitetsky, N.N. Kudryavtsev, G.B. Polisyuk and others share R. Adams opinion in determining audit risk.[6.P.15.].

In International Auditing Standards No. 200, audit risk is defined as the risk of an auditor expressing an improper opinion if the financial statements are materially distorted.

Analyzing all the above definitions of audit risk, we can say that all the authors basically share each other's opinions, and there is no fundamental difference between them. We share the opinion of R. Adams in the definition of audit risk, as its definition expresses the essence of audit risk more clearly and clearly.

There are several constituent types of audit risk.

A. Ahrens and J. Lobbeck identifies four types of audit risks:

1. Acceptable audit risk. A measure of the auditor's willingness to recognize that the financial statements may contain material errors after the audit has already been completed and a standard audit opinion has been expressed without reservations.
2. On-farm risk. A measure of the auditor's expectation that there is an error in the segment and that it exceeds the permissible amount before checking the internal control system.
3. Risk of control. A measure of the auditor's expectation that errors in the segment exceeding the permissible amount will neither be prevented nor detected in the client's internal control system.

4. Risk of undetection. A measure of the auditor's willingness to recognize that the audit certificates to be collected for a particular segment will not allow detecting errors exceeding the permissible amount, if such errors exist.[8. P.235-236.].

The well-known Russian audit specialist V.V. Skobara fully shares R. Adams' opinion on the types of audit risks and gives the Adams table on the types of audit risks. But among these risks, he identifies three main types, which in his opinion are of the most important importance.

Internal risk or unavoidable risk that relates to the company whose activities are being monitored. Internal risk should be understood as the auditor's subjective assessment of the possibility of significant violations in the reporting of an economic entity due to the impact on its activities of various external and internal factors that could be called general risks.

Control risk is the degree of the auditor's confidence in the internal control of the organization over the formation of economic indicators.

The risk of non–detection is the subjective probability that the procedures applied by the auditor during the audit will not allow identifying significant violations existing in the organization.

CONCLUSION AND SUGGESTION.

As a result of writing this article the following conclusions and suggestions have been formed:

1.*Inherent risk* reflects the exposure of account balances or groups of similar transactions to distortions that may be significant individually or in combination with distortions of other account balances or groups of similar transactions, assuming the absence of the necessary internal controls. Inherent risk characterizes the degree of exposure to significant violations of the accounting account, balance sheet items, the same type of groups of business transactions and reporting in general in the audited economic entity.

2.*Risk of controls* means the risk that a misstatement that may occur in relation to the balance (balances) of an account or a group of similar transactions and which may be significant individually or in combination with misstatements of other balances of accounts or groups of similar transactions will not be prevented in a timely manner or detected and corrected using accounting systems and internal control. The risk of controls characterizes the degree of reliability of the accounting system and the internal control system of an economic entity.

3.*The risk of non-detection* means the risk that audit procedures essentially do not allow detecting a misstatement in the balance of accounts or groups of transactions, which may be significant individually or in combination with misstatements of other balances of accounts or groups of transactions. The risk of non-detection is an indicator of the effectiveness and quality of the auditor's work and depends on the procedure for conducting a specific audit, as well as on the qualifications of the auditors and the degree of their previous acquaintance with the activities of the audited economic entity.

Table№1

Comparative analysis of international standardsof Risks

№	**International standards of Risks**	**ContentInternational standards of Risks**
1.	***Inherent risk***	*The inherent risk* lies in the exposure of the balance sheet or category of transactions to distortion, which may be of a material nature. Inherent risk is affected by the nature of the balance sheet or categories of transactions
2.	***Control risk***	*The control risk* is the probability that the accounting system and internal control systems that exist in an economic entity and are regularly used will not detect and correct distortions that are material individually or collectively in a timely manner and (or) prevent the occurrence of such violations.
3.	***The risk of non-detection***	*The risk of non-detection*of errors and misstatements of financial statements. The risk of non-detection is the probability, subjectively determined by the auditor, that the audit procedures applied by the auditor during the audit will not allow detecting actual errors and distortions in accounting and financial statements that are significant individually or in aggregate.

1) Inherent risk. The inherent risk lies in the exposure of the balance sheet or category of transactions to distortion, which may be of a material nature. Inherent risk is affected by the nature of the balance sheet or categories of transactions.

2)Control risk. The control risk is the probability that the accounting system and internal control systems that exist in an economic entity and are regularly used will not detect and correct distortions that are material individually or collectively in a timely manner and (or) prevent the occurrence of such violations. Control risk characterizes the degree of reliability of the accounting system and the internal control system of an economic entity.

3)The risk of non-detection of errors and misstatements of financial statements. The risk of non-detection is the probability, subjectively determined by the auditor, that the audit procedures applied by the auditor during the audit will not allow detecting actual errors and distortions in accounting and financial statements that are significant individually or in aggregate. The risk of non-detection is an indicator of the quality of the auditor's work, depends on the qualifications of the auditor and the specifics of conducting a specific audit.

Federal Rules of Auditing of the Russian Federation No. 8 "Assessment of audit risks and internal control carried out by the audited entity" distinguishes the following types of audit risk:

"Audit risk includes three components: inherent risk, risk of controls and risk of non-

1. Inherent risk means the exposure of the balance of funds on accounting accounts or a group of similar transactions to distortions that may be material (individually or in combination with distortions of the balance of funds on other accounting accounts or groups of similar transactions), assuming the absence of the necessary internal controls.

2. Risk of controls means the risk that a misstatement that may occur in relation to the balance of funds on accounting accounts or a group of similar transactions and be significant (individually or in combination with distortions of the balance of funds on other accounting accounts or groups of similar transactions) will not be timely prevented or detected and corrected with the help of accounting and internal control systems.

3. The risk of non-detection means the risk that the audit procedures essentially do not allow to detect a misstatement of the balance of funds on accounting accounts or groups of transactions, which may be significant individually or in combination with misstatements of the balance of funds on other accounting accounts or groups of transactions.[10. P.12-13.]

From the above examples, it can be concluded that in the studies of foreign and Russian scientists on auditing and in the standards of auditing activities, there are mainly three components of the types of audit risk: Internal risk, control risk and the risk of non-detection. We believe that these three composite types of audit risk summarize all the risks associated with the audit and disclose the essence of audit risk.

The inherent risk is the probability that there may be significant distortions in the financial statements of an economic entity due to internal and external factors of the environment of the economic entity.

The risk of control is the probability that the accounting system and the control system existing in an economic entity will not identify and correct those situations that may cause significant distortions in the financial statements of the entity.

The risk of non–detection is the probability that the audit procedures used in the audit of an economic entity will not detect a material misstatement in the financial statements of the entity.

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