

**PROBLEMS OF PLANNING THE EXTERNAL AUDIT PROCESS IN
COMMERCIAL BANKS**

IBRAGIMOVA IRODA RASHID QIZI

Abstract

Keywords:
*commercial banks,
external audit, audit
plan, external audit
program and its
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quality control.*

This article is consists in drawing up and improving the plan and program of the external audit process in commercial banks. In the process of external audit in commercial banks, recommendations are developed on the formation of an audit plan and program on the basis of international audit standards and the determination of promising areas of its development.

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Author correspondence:

IBRAGIMOVA IRODA RASHID QIZI

*Associate Professor, Doctor of Philosophy in Economics (PhD),
Professor The Tashkent state University of Economics Republic of
Uzbekistan, Tashkent, Uzbekistan
Email: gafuribragimov@mail.ru*

INTRODUCTION

The organization of the Audit Service in the Republic of Uzbekistan is carried out on the basis of the law on auditing activities. The law on auditing activities in the Republic of Uzbekistan was adopted by the Chamber of Auditors of the Republic of Uzbekistan on November 10, 2020 and approved by the Senate in the Republic of Uzbekistan on February 5, 2021. In addition, the implementation of the decisions of the Cabinet of Ministers dated May 12, 2017 No. 274 on "Additional measures to further improve the legal framework of the activities of audit organizations" determines the relevance of this topic. In this decision, we can see that a lot of attention is paid to the issue of further development of external auditing, including increasing the effectiveness of auditing and increasing the transparency of financial statements. The audit organization is independent in the process of its activities. Based on the requirements of market relations to ensure the fulfillment of the above tasks, the development of auditing activities in the banking system in Uzbekistan, including the improvement of external audit processes and organization on the basis of

international audit standards, is becoming a requirement of the period. The development of auditing activities and the current stage of improving the accounting system brought to the fore the issues of compliance of international standards in this area, and their relevance necessitated the introduction into practice of these two (international standards of auditing and international standards of financial reporting). It should be noted that the law of the Republic of Uzbekistan "On auditing activities" defines the tasks for creating favorable conditions for the application of international standards of auditing. Also, the decree of the president of the Republic of Uzbekistan dated April 24, 2017. The decision of PF-4720 "On measures to introduce modern methods of corporate governance in joint-stock companies" established that in 2017-2018 all joint-stock companies publish annual financial statements and conduct external audits in accordance with the international standards of audit and international standards of financial reporting.

LITERATURE REVIEW

In the Republic of Uzbekistan, according to this law, subjects are prescribed that must be subject to an external audit once a mandatory year. The following organizations must undergo mandatory audit every year:

- Joint-Stock Companies;
- banks and other credit institutions;
- insurance organizations;
- investment funds and other funds that accumulate funds of legal entities and individuals, as well as trustees of their investment assets;
- charitable, public funds and other funds, the sources of which are deductions of legal entities and individuals;
- economic entities and State Unitary enterprises with a state-owned share in the charter fund (authorized capital);
- exchanges;
- commercial organizations that, according to the results of the reporting year, met two of the following conditions at the same time: the balance sheet value of their assets is more than one hundred thousand times the amount of base calculation, the proceeds from the realization of products (works, services) are more than two hundred thousand times the amount of base calculation, the average annual number of In the mandatory audit of these organizations, the following requirements are established for external audit organizations:

1) the presence of at least two auditors in the state who have at least three consecutive years of continuous work experience or international accountant certificate;

2) the absence of cases of violation of the legislation on audit activities according to the results of external control over the quality of the audit organization's work.

3) audit of banks is carried out by audit organizations in which there are at least two auditors who have an auditor's qualification certificate for the right of banks to conduct audits in the state. Subjects who need to undergo a mandatory audit must submit an audit to the tax authorities within fifteen days after the mandatory audit, but no later than June 15 of the year after the reporting year, and publish the financial statements of the US in the open press. The evasion of conducting a mandatory audit according to the law is the reason for the application of administrative punishment against the official of the business entity.

In the literature as well as in official documents, there are different definitions of internal audit, internal audit activities in banks. Currently, a lot of research has been carried out by foreign Economist scientists on the concepts of "external audit", "external bank audit", "General Plan of audit", "external audit program and its content", as well as on the solution of possible problems in the process of external audit activities.

According to the general regulation on the essence of external bank audit, The Economist-scientist A.Ibragimov (2010) we can see that it is defined as follows. "External bank audit is an activity carried out by an independent organization, in which it is necessary to conduct a free, objective assessment and provide advice, the task of which is to increase the efficiency and reliability of the operas conducted by the organization. With the help of an external audit of commercial banks, the reliability of the bank's financial statements, its objectivity and auditing achieve their goals on the basis of a systematic, consistent assessment of the risk management, control and management process and a method of improving efficiency.¹ " based on the described definition, the task of external audit is to check the various directions of its financial and other activities on the basis of the audit of financial statements of commercial banks and evaluate them freely and objectively. In accordance with the Bank's Charter, the bank's board determines the choice of external audit companies, the assessment of their service, the determination of the amount of the contract, the audit Policy and the rules that auditors must follow in their work.

In this matter, Smirnova L.R.(2000) defined as follows. "The Bank is a free division within the structure of a commercial bank in the organization of an external audit

service and carries out its functions on the principles of objectivity and impartiality. Alternatively:

- The external audit service shall carry out an audit on the basis of an agreement with the bank board rahabari and shall be entitled to receive the necessary information for the audit from a branch of the bank.
- Checks financial statements on the basis of holisona and relevant evidence, has the right to receive internal and external audit evidence.
- The external audit service has a free status in relation to the departments it investigates, and the heads of banking departments do not have the right to influence the content and size of the inspections carried out by the service" .

In addition, Russian economist-scientists Sheremet A.D., Suits V.P. (2005) bank managers also do not have the right to limit the content and volume of audits in any way. At the same time, in the process of bank audit, the audit can determine the general directions of the general plan and program of audit and the types of banking activities to be checked, and contact the Internal audit Service with a request for special inspections. Tashii means that audit service personnel must be able to conduct audits without intent or outside pressure.

- External auditors have the right to access all accounting documents, assets, departments during the audit process, and if this is necessary to effectively fulfill the obligations imposed on them, they can contact any employee of the bank with questions. Of course, the international standards of external auditing are based on this issue, and their own experience, the use of recommendations developed for external auditing in a wide range of ways, leads to an increase in the quality of work.

In particular, despite the fact that in Uzbekistan the tasks that are remarkable for the Coordination of National audit Standards to international standards are carried out, the elimination of a number of problems waiting for their solution in the process of planning, conducting and completing auditing in auditing practice in the current period, improving their theoretical and methodological foundations is an urgent and period requirement. The scientific research of scientists of our republic and abroad, as well as the legislation, may include such issues as the fact that the methodological aspects of audit plans and programs are not fully and clearly described, the process of summarizing, evaluating and presenting audit results does not meet the current requirements, the quality control of audit work and the methodology for assessing the effectiveness of

It is established that the planning of auditing activities is carried out according to the mandatory requirements established in the national standards of auditing activities in accordance with Article 22 of the law of the Republic of Uzbekistan "on auditing activities". In particular, the stages of audit planning are carried out by the Ministry of Justice in accordance with the AFMS of the national standard of auditing activities No. 3, registered by the number 837 on November 10, 1999, as well as the International audit Standard No. 300, named "audit planning". According to AFMS 3," audit planning", planning is considered the initial stage of auditing, and auditors should not start the process of direct audit until the plan is drawn up and carry out the general plan and the tasks presented in the program in strict order at all stages of audit. Russian economist-scientists Kunisina N.N., Khisamudinov V.V. (2005) in the audit plan, it is established by the head of the audit organization (Group)I that the process of planning an audit of financial statements of commercial banks should be carried out at the following stages:

1. Preliminary audit planning;
2. Preparation of a general audit plan;
3. We can see that the Audit program has been highlighted as preparation.

In addition, in the process of organizing an internal audit of commercial banks, it is indicated that auditing plans and programs should be drawn up. For example, on the issue of the formation of the internal audit process on this issue and its development, economist-scientists U.S. Tursunov, A.K. Ibragimov (2020) showing the formation of internal audit activities and that it does not yet comply with the standards of the full internal audit Institute. Therefore, the compliance of the requirements of AMS No. 3 with international standards in terms of content (logically) and form, in which the content, importance of the stages of audit planning, mutually distinctive features of the stages of audit planning should be revealed, and the recommended plan and the model form of the program should be carefully worked out in practical terms.

RESEARCH METHODOLOGY

Foreign and domestic scientists during the study planning the audit process and its work on the theoretical and practical foundations of the program were studied and analyzed. The article effectively uses methods such as theoretical observation, systematic approach, observation, generalization and analysis, as well as conclusions and proposals on existing problems and their solutions on issues of audit activities, including audit planning, as well as tasks that must be completed in this regard.

ANALYSIS AND RESULTS

As a result of the discussion of the above issues and in order to clarify the audit plan, in our opinion, first of all, it is necessary to include an additional paragraph in ISA N. 300 - "Audit planning", which represents the content of the initial planning process of the audit. In this proposed paragraph, we propose to describe the initial stage of planning as follows. "Preliminary audit planning – including the work of commercial banks and the audit organization until the conclusion of the audit contract, at this stage it is necessary to familiarize yourself with the activities of the audit customer by the audit organization, to provide the client with the appropriate license and the auditor's qualification certificate for conducting audit activities (auditors), to collect information on internal and external characteristics, this is the process of agreeing the terms of the audit contract with the management of the enterprise and forming an audit working group for checking the enterprise, and finally formalizing the audit contract."The inclusion of the above definition in the standard allows the auditor or audit organization to fully understand the essence of the initial planning stage and its specifics, as well as to obtain accurate information about the tasks performed in it. We also think that by introducing into the standard the second stage of audit planning - an additional paragraph that expresses the content of the general planning process, it is possible to reveal the essence of this stage and provide information about aspects of this stage that differ from other planning stages. To this end, we recommend setting the concept of a general audit plan in the standard under the following conditions: "a general audit plan is an audit work document, in which the period (total days and hours) and time (period interval) of the performance of common tasks performed in the audit process are carried out. it is determined by the audit methods used in the audit, as well as the list of the established master plan should serve as the main source of the implementation of the audit program or the methodological and regulatory basis of the program. In the process of conducting an audit, there may be a need to change some rules of the master plan and make additions, the content and reasons for the changes made at such a time should be detailed in the plan. In order to effectively organize the quality of audit and internal audit in the process of drawing up an internal audit plan, audits must be analyzed by the internal auditor in order to organize audits based on the degree of repeatability and experience of the past period as follows.

For this purpose, it is necessary to plan according to its quality, as a result of the analysis of inspections by the internal audit "O`ZSANOATQURILISHBANK" therefore, we can see that the internal audit carried out analytical work on this issue as follows.

Table 1

**“O`ZSANOATQURILISHBANK” analysis of the degree of repeatability of
the conduct of external audit examinations**

Experience in the past period	Risk level		
	High	Middle	Low
bad position	1 year	1 year	1-2 year
satisfactory position	1 year	1-2 year	2 year
good position	1-2 year	2 year	2-3 year

As can be seen from this table, the process of planning audits by an external audit of a commercial bank depends on the quality and level of risk of its inspections in the past period, low or high.

Also, paragraph 27 of the current AXS No. 300 states that "in the general plan, the audit organization determines the method of conducting an audit based on the results of the preliminary analysis..."although it is said, in the sample form of the general plan presented in this standard, the methods of auditing used during the stages of verification are not clearly specified. This is due to the fact that the head of a qualified audit organization(group) does not justify what methods are effective in applying the audit, the auditor and his assistants who are conducting the audit are forced to check (using the audit method), relying on their knowledge, qualifications and skills. Following a multi-year experience of external audit investigations, a proposal was made to make appropriate changes to the overall audit plan. Including in order to further tacoimlize the external audit, it is important to define audit methods with the aim of helping the auditor plan the audits in order to clarify the audit methods. We propose to include an additional column, "applied audit methods", in the sample General Plan of the audit, in order to clarify the above controversial issues. The general plan in the form and content we want to offer is shown in the table below.

Table 2**Sample General Plan of external audit***Verifiable enterprise-ATB Sharghun branch" UZSANOATQURILISHBANK"**Audit period man-hours-March 10-20, 2021 (10 days)**The head of the audit team is Juraev Tura**The composition of the Audit Team-7 people**Planned level of importance-5%*

№	Works scheduled to be completed	Duration and time of transfer	Executors	Audit methods used	Extras and footnotes
1	Work program on each object of the audit	14.09.	Juraev Tura	Tracking, documentation,	Determination of Audit Risk and degree of importance
2	Assessment of the reliability of the internal control system and accounting data of a commercial bank and, based on it, setting the volume of audit selection	14.09.	Juraev Tura	Documentation, comparison, analysis and questionnaire or tests	Participation of responsible (material-responsible) persons of the Commercial Bank
3	Study of the availability and storage status of Commercial Bank property (main tool, intangible asset, TMZ and financial investments) and funds (monetary funds)	15.09.	Juraev Tura B.Khaydarov, K.Murodov, B.Kasimov, Sh.Mirsaidov..	Documentation, comparison-comparison, inventory, questionnaire or testing	Inventory at all auditors are required to attend
4	Verification of the legality of transactions carried out on the movement of property and funds of a commercial bank (the main tool, intangible asset, materials and financial investments) or compliance with the requirements of regulatory legal acts developed by the state	16.09.	Juraev Tura B.Khaydarov, K.Murodov.	Documentation, comparison-comparison, observation, analysis, questionnaire or testing	The responsible (material-responsible) persons of the Commercial Bank are obliged to participate
5	Verification of the legality and correct calculation of the depreciation calculation process on the main tool and intangible	17.09.	Juraev Tura B.Khaydarov, K.Murodov, X.Ruziev.	Documentation, comparison, analysis, evaluation, calculus	Commercial Bank responsible (material-responsible)

	assets of a commercial bank				persons
6	Commercial Bank property assessment (main tool ,intangible asset, financial investments of material asset) and verification of the correctness and legality of the repair process of its main means	18.09.	Juraev Tura B.Khaydarov, K.Murodov, X.Ruziev.	Documentation, comparison, analysis, evaluation, calculus	Commercial Bank responsible (material- responsible) persons
7	Checking that the economic transactions carried out on the property of a commercial bank (the main tool, intangible asset, material and financial investments) and the movement of funds are reflected correctly, fully and within their term in accounting documents and accounts	19.09.	B.Khaydarov, K.Murodov.	Documentation, comparison, analysis, evaluation, calculus	Commercial Bank responsible (material- responsible) persons
8	Verification of the correctness and legality of the process of formation, use and distribution of commercial bank capital	20.09.	Juraev Tura B.Khaydarov, K.Murodov, X.Ruziev.	Documentation, comparison, analysis, evaluation, calculus	Commercial Bank responsible (material- responsible) persons
9	Verification of the correctness and legality of the process of formation, assessment and accounting of obligations of a commercial bank	21.09.	B.Khaydarov, K.Murodov.	Documentation, comparison- comparison, inventory, questionnaire or testing, scanning	
10	Ensuring the correctness and legality of the process of formation, distribution and assessment of financial results of a commercial bank	22.09.	K.Murodov, X.Ruziev.	Documentation, comparison- comparison, inventory, questionnaire or testing, scanning	The Chief Accountant of a commercial bank must attend
11	To study and assess the reliability or truthfulness of financial reporting indicators on Commercial Bank property (main instrument, intangible asset, material and financial investments) and funds	22.09.	Juraev Tura B.Khaydarov.	Documentation, comparison- comparison, inventory, questionnaire or testing, scanning	The Chief Accountant of a commercial bank must attend

12	Analysis of the causes of the occurrence of errors or violations identified as a result of external audit and the development of practical recommendations on their non-recurrence in the future	23.09.	Juraev Tura B.Khaydarov, K.Murodov, X.Ruziev, Sh.Mirsaidov	Assessment, analysis, forecasting and hypothesis, documentation	All auditors are required to attend
13	Reflection of external audit results in interim and general audit work documents	23.09.	Juraev Tura B.Khaydarov, K.Murodov, X.Ruziev, Sh.Mirsaidov.	Documentation, comparison- comparison, inventory, questionnaire or testing	All auditors are required to attend
14	Determination of the Audit results in compliance with the indicators in the financial statements of a commercial bank.	24.09.	Juraev Tura, Sh.Mirsaidov.	Analysis and synthesis, evaluation, documentation	A partner must participate in the audit organization

As can be seen from this table, the indication by the external audit team of commercial banks of the audit methodology used by the external audit in the process of planning the audit will further clarify the audits and provide the opportunity to work on adjusting the audit plan to the audits. As a result, the audit of financial statements of a commercial bank is based on the plan, after the audit general plan is drawn up, in accordance with the rules contained in it, the head of the audit group (organization) will be able to prepare his work program and represent it on the basis of it.

CONCLUSIONS

Thus, the control of the quality of the external audit carried out in the audit directly affects the auditor's conclusion, and as a result, the possibility of issuing the auditor's conclusion on the basis of information with a sufficient basis is created. Another research question was what are the factors that affect audit quality control. This question was also studied, that is, the dependence of a number of factors affecting it was also studied. From the factors affecting it, the Audit Committee, the number of auditors, the number of qualified auditors and the factors of audit deadlines and assessment of auditors were analyzed. In our opinion, since, as noted above, the essence of the content, significance of the audit work program, the main requirements for it, as well as the general plan in AXS No. 300, is not clearly revealed in practical terms, the application of its Model form in practice does not have sufficient effect. Today, one of the methodological problems in the practice of

preparing and using an audit work program is that the list of auditing actions used in the examination in the sample form of the program presented in AXS No. 300 is not clearly indicated, which creates different approaches and "hesitations" from the auditor at the stages of conducting the examination in determining what It seems to us that the implementation of the audit planning process on the basis of the above-recommended procedures makes it possible for auditing organizations to carry out inspections in a timely and qualitative manner based on a previously carefully and clearly defined sequence.

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