



Volume: 04 Issue: 04 | 2023 ISSN: 2660-454X

<https://cajitmf.centralasianstudies.org>

## Theoretical Foundations of Financial Statement Audit

<sup>1</sup> Sayfutdinov Bobur Nodirovich

Received 16<sup>th</sup> Feb 2023,  
Accepted 19<sup>th</sup> Mar 2023,  
Online 7<sup>th</sup> Apr 2023

<sup>1</sup> TMI Independent Research

**Abstract:** The article analyzes the theoretical foundations of the audit of financial statements, the regulatory framework and the opinions of economists, and also notes the unification of audits by audit organizations during the audit of financial statements.

**Key words:** audit, financial reporting, audit of financial statements, international auditing standards, audit organization.

Requirements for Republic of Uzbekistan inspection work The first effort on this activity after achieving freedom was the adoption of the legislation on auditing activity. Audits and associated services are included in audit services. To ascertain the accuracy of the financial report and other financial information as well as compliance with the legal papers on accounting, the audit entails reviewing the business entity's financial report and associated financial information.

The quality and systematization of audit inspections are thought to be one of the most crucial issues at the moment. There are numerous normative legal documents governing the activity of the auditor at the moment, increasing scientific and practical developments in the field of auditing financial statements in relation to the unique business conditions of the Republic of Uzbekistan, increasing the attractiveness of the activity.

In this regard, first of all, on September 19, 2018, as a result of the adoption of the decision of the President of the Republic of Uzbekistan No. PQ-3946 "On measures for the further development of audit activity in the Republic of Uzbekistan", "In the past years, the normative legal and methodological basis of audit was formed in our country, as well as the licensing of audit activity a simplified and open-ended system was introduced, which made it possible to form the market of audit services and to ensure the access of local audit organizations to large international networks of audit companies[1]".

There hasn't been a standard method among accounting firms for the creation of financial statements and their assessment up until this point. We should examine the methods used by foreign experts who have audited financial records.

"Audit is a systematic process of obtaining and evaluating objective information about economic activities and events, determining their compliance with specific criteria, and presenting the results to interested users[2]," according to the International Federation of Accountants.

"Audit is the examination of state financial reports, accounting, primary documents, and other information on the financial and economic activities of economic entities in order to determine their reports, accounting, its completeness, and compliance with applicable law and established standards check[3]," according to the Law of the Republic of Ukraine "On Auditing Activities."

"Audit is the business activity of auditors to carry out independent verification of accounting (financial) reports, payment and settlement documents, tax declarations, and other financial obligations and requirements of economic entities outside the office," according to Guttsite E.M., Ostrovsky O.M., and Remizov N.A. In addition, other assessment services are provided[4].

Arens E.A. and Lobbek D.K. "Audit is the process of gathering and evaluating quantitative evidence of information related to a particular economic system in order to determine and express the degree of conformity of this information with the established criteria in its conclusion [5]," according to the definition given by the definition of audit.

According to Andreev V.D.'s description, an audit is the process of verifying the accuracy and compliance of financial and bookkeeping records in businesses with various management and ownership structures.

The definitions above offer an audit a general idea of what to concentrate on in an audit of financial accounts and provide wide advice on how closely reliable information can be compared with pertinent criteria, as well as comparisons with our laws.

The auditor may view a restriction on the client company's company's ability to present information and explanations as a restriction on the audit's scope, which could cause the auditor's conclusion to be modified. This could happen when the auditor is auditing the financial statements prepared by joint-stock companies. The reporting organization's audit plan must be created because it is one of the tools influencing the audit. It is essential to specify and detail some audit processes in the audit schedule in order for it to be a useful tool. It demonstrates that data should be prepped generally, that it's important to pay attention to the intersection of audit procedures, to separate parallel processes, and to establish deadlines for finishing stated tasks.

The plan for the audit of financial records is created for both the customer and the inspectors. One aspect that guarantees the effectiveness of the audit is adherence to the audit plan in the best interests of the audit company and clients. The deadline for sending the financial statements to the auditor for evaluation is the primary component of the audit plan. All calculations, transformation techniques, and information pertaining to the preparation of the consolidated financial report must be given to the client's audit organization in order for the audit of the report created by the client enterprise in accordance with international financial reporting standards (IFRS) to be completed quickly and effectively.

State regulation of audit control, public reporting, and laws should decide the accuracy of accounting and the information dependent on it. According to international auditing standards, the audit's objective is the auditor's assessment of the audit's findings and its judgment regarding the accuracy of the audited organization's financial records.

When performing an audit, financial statements should have a number of traits. Which are:

**Table 1. The main features of the audit of financial statements<sup>1</sup>**

<b>Structural elements</b>	<b>Features</b>
The purpose	Expressing an opinion that the financial statements have been prepared in all material respects in accordance with the established principles of financial reporting
Subject	Confirmation of legality, expediency and appropriateness of reflecting enterprise activity processes and events in documents
Duties	understand the client's business; assessment of accounting and internal control systems; determining the truthfulness of the information and data reflected in the financial reports; assessment of the financial situation and the possibility of operating in the near future; commenting on the material characteristics of financial statements
Principles	Independence; impartiality; honesty; objectivity; professional competence; confidentiality; professional conduct; compliance with technical standards and use of methodological principles, including: determination of planning and reliability criteria, assessment of materiality of audit evidence, assessment of accounting and internal control system
Objects	Organizational and legal bases of the activity of the economic entity; establishment of accounting and control systems; assets, capital, liabilities, business operations; operational, financial and investment activity, market situation
Information supply	Information of an organizational and management nature, accounting and financial reporting information, primary documents, information from third parties, comments from the media and other information
Means	Inventory, valuation of assets, confirmation, monitoring, verification of compliance with the rules of accounting of separate transactions, oral inquiry, document verification, analytical procedures, preparation of alternative balance sheet
Main users	Property owners, external and internal investors, creditors, counterparties

The audit's objective is to evaluate the financial and economic condition, which forms the basis of the study, in addition to fully approving the financial report. A number of concepts are suggested, including performing an audit, the economic entity being audited, and particular objects being audited, in order to completely disclose the essence of the audit and its duties.

Planning an audit is required (taking into consideration audit methods that are disseminated and used), risk evaluation, determining the boundaries of the importance level, and determining whether there is enough audit evidence to accomplish the goal that the inspector has set for the audit.

The scope, nature, and quantity of the data that is examined vary depending on the objectives that have been established for the audit.

<sup>1</sup> Compiled by the author.

It is necessary to address a number of issues before creating financial statement audit guidelines, including examining the analytical framework of the economic entity's activities, identifying the most crucial accounting areas for the audit, selecting audit procedures based on their type and scope, and taking into account quantitative and qualitative traits. Determining materiality limits, describing audit risks, and evaluating the correlation between acceptable audit risk and proof are all required in this situation.

In this situation, it is essential to identify the categories of audit and the associated directives.

Audit of financial statements prepared in accordance with other generally accepted accounting principles Audits are performed to provide an opinion on financial statements prepared in accordance with other principles of financial statement preparation and presentation, such as financial statements specially prepared in accordance with international financial reporting standards or in accordance with the following principles, financial statements from a different country, and financial statements from a specific financial year.

*Inspection of financial statements prepared using optional rules and forms - Inspections are carried out in a manner approved by the management or parent company of the audited organization to express an opinion on financial statements prepared using optional rules and forms to satisfy internal information requirements or the requirements of special customers (banks, investors, large creditors).*

*Examining specific items, elements, accounts, or sections of the financial statement allows the management of the audited joint-stock company to express an opinion on the financial statement's elements, account balances, calculations of specific taxes, and non-tax payments by looking at specific items, elements, accounts, or sections of the financial statement.*

*Verification of compliance with contractual obligations - Verification of compliance with contractual obligations is primarily carried out to ascertain whether the audited business and its counterparties are complying with their contractual duties.*

*Verification of compliance with contractual obligations - Verification of compliance with contractual obligations is primarily carried out to ascertain whether the audited business and its counterparties are complying with their contractual duties.*

It made it possible to distinguish the following main directions of the audit of financial statements: determining the goals and tasks of the audit, searching for information to obtain audit evidence, planning the audit, determining control objects and elements, assessing the state of accounting and internal control of the audited company, assessing the audit risk and determining the importance criteria , assessment of the impact of accounting policies on the comparison of financial reporting data with accounting registers, comparison of indicators with industry averages, assessment of changes in financial indicators in dynamics - assessment of the impact of possible changes.

"The audited business entities' proof must be adequate and trustworthy when evaluating the efficacy of the internal control system. Financial statements that are created using international auditing standards take into account various elements of use throughout the auditing process. The reliability and effectiveness of consolidated financial accounts are increased by gathering audit evidence in compliance with the requirements for their preparation and compilation[7]".

The customer will be questioned about the audit's continuity during the audit of the financial accounts. If there is a scenario that raises questions about the enterprise's ability to continue operating, it is essential to make assumptions to support those questions. At the same time, it is important to acknowledge that errors are made on data during the audit's concluding step, which is rarely noticed in actual practice. The inspector and the customer business must evaluate the effectiveness of the work, the errors made, and the process development after writing the audit conclusion at the end of the audit. As a result, the financial

summary for the present year will be prepared without errors and further improvement of financial activities, and will serve to increase the efficiency of the audit in the next year.

### References

1. Ўзбекистон Республикаси Президентининг 2018 йил 19 сентябрда “Ўзбекистон Республикасида аудиторлик фаолиятини янада ривожлантириш чора-тадбирлари тўғрисида”ги ПҚ-3946-сон Қарори <https://lex.uz/ru/docs/3914502>
2. IFAC Handbook 1999, International Federation of Accountants. – New York, 1999.
3. Украина Республикасининг «Аудиторлик фаолияти тўғрисида»ги қонуни [4-модда]. 1996 й.
4. Гутцайт Е.М., Островский О.М., Ремизов Н.А. “Ички аудит стандартларидан фойдаланиш” Дарслик. 1998 й. 384 б.
5. Арнс Э.А., Лоббек Дж.К. Аудит, пер. с англ. под. ред. проф. Я.В. Соколова. - М.: Финансы и статистика, 1995. с.- 560;
6. Андреев В.Д. “Амалий аудит”. Ўқув қўлланма. М.1994 й. 366-б.
7. Авазов И.Р. “Консолидациялашган молиявий ҳисоботни тузиш ва аудитини такомиллаштириш” Иқтисодиёт фанлари бўйича фалсафа доктори (Doctor of Philosophy) илмий даражасини олиш учун тайёрланган докторлик диссертация автореферати. -2020 йил 58 б.”

CENTRAL ASIAN  
STUDIES