

Improving the Organization of the Audit of Obligations

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Abstract

In this article, examines the opinions on the reflection and formalization of provisions in accounting. The research conducted by the world's leading foreign scientists on the reflection of the recognition of provisions in accounting and the improvement of their assessment has been analyzed. Also, recognition of estimated liabilities and its types are also explained.

Keywords: *Liabilities, legal responsibility, reliability, IFRS, constructive responsibility, onerous contracts, restructuring.*

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A MAIN PART

INTRODUCTION

In world practice, many scientific studies are conducted aimed at organizing accounting and auditing of obligations based on international standards. These studies addressed the issues of recognition of obligations, their reflection in accounting, improving the provision of accounting information on obligations, planning audits, collecting evidence during the audit, studying the internal control and evaluation system. It is worth noting that today the process of classification of obligations, the formation of reporting data for each type of obligations, increasing the reliability of information on accounting obligations, determining the turnover of creditors, the use of questionnaires to study the internal control system in the audit of obligations, determining the degree of importance and degree of risk in the audit. However, important issues related to the organization of accounting and auditing of obligations at the level of international standards have not yet been resolved positively.

EXPERIMENTAL METHODS

To improve the organization of the audit of obligations, economic analysis and statistical methods are used, such as the analysis of studies conducted by the world's leading foreign and domestic scientists, subject grouping, monographic observation.

RESULTS AND DISCUSSION

In modern conditions of development of economic entities, non-state control over the activities of enterprises is necessary, "it is the organization and maintenance of accounting, the correctness of tax calculation, legal assistance and other types of services that belong to auditing activities" [1]

The task of performing the above describes the audit activity or audit. Audit risk is subjectively determined by the auditor, the possibility of recognizing that the financial statements may contain material misstatements that were not detected after confirmation of their reliability, or recognizing that such misstatements are present in the financial statements, even if such misstatements are absent in the financial statements.

Therefore, the concept of materiality is the primary and fundamental source for determining the size of the error that may be made by the auditor and the scope of the audit, as well as for determining the form of the audit opinion (positive or negative).

The audit program is compiled at the organizational stage of the audit. We have developed the following audit program and given practical recommendations to the Chamber of Auditors of the Republic of Uzbekistan, based on the practices used in the framework of conclusions, data on international auditing practices when auditing obligations at the Tashkent Mechanic JSC plant.[2]

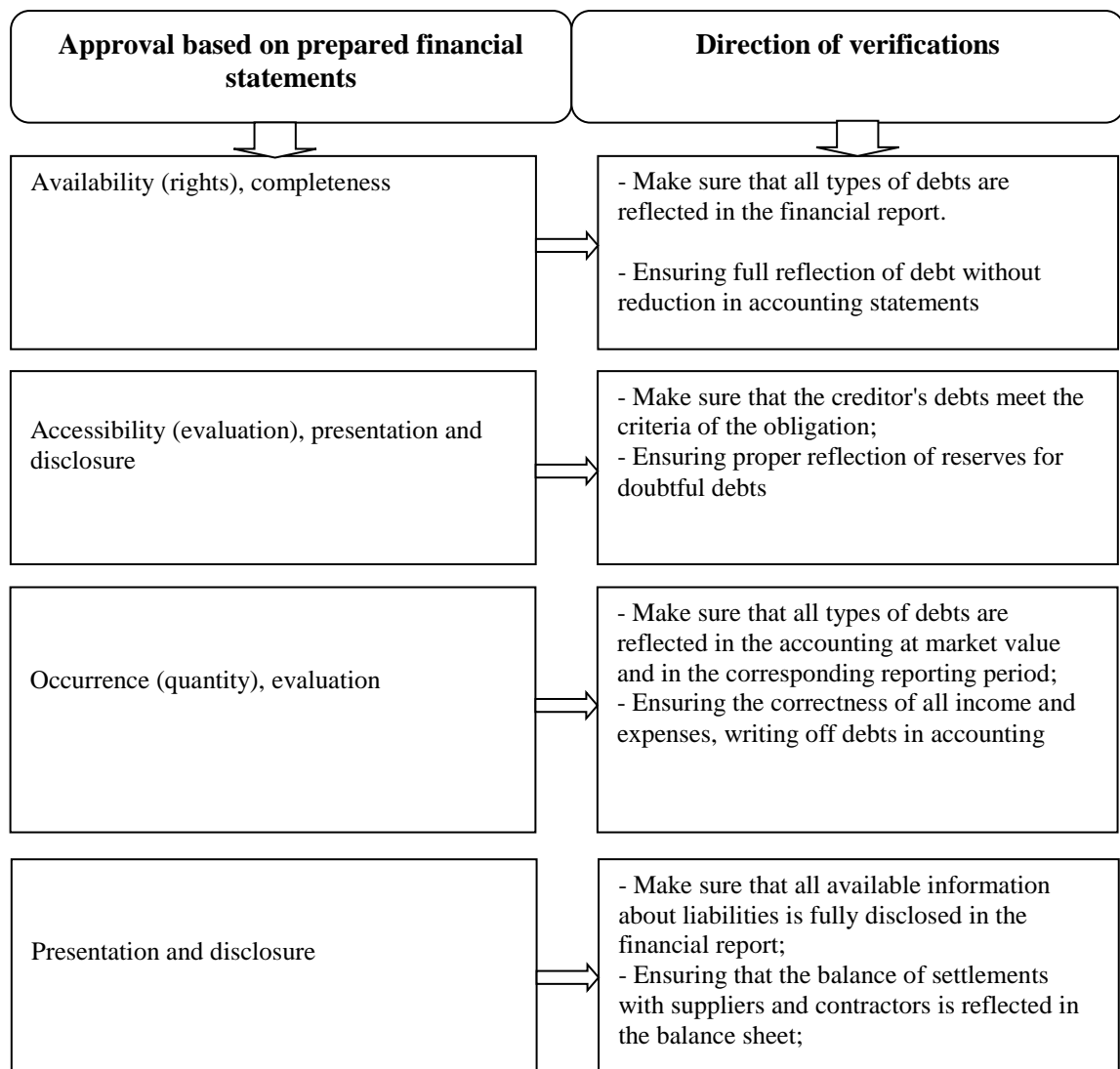


Figure 1. Audit program of accounts payable

One of the main tasks of the auditor is to obtain sufficient evidence to express his opinion that the financial statements prepared by the auditor's report have been prepared in accordance with generally accepted practices and principles. However, there is always a risk that the flaws will not be discovered.

The application of international auditing standards in the audit of obligations, in particular, checking the effectiveness of the internal control system in accordance with the ISA, is one of the main tasks of the auditor. [3]

Table 1 Internal control system verification procedures

№	Control procedures	Internal control verification procedures
1.	Check the performance	Verification and analysis of actual indicators in comparison with indicators of previous periods and calculated and planned indicators;

	discipline	<p>Analysis of the relationship of various data, their compliance, conclusions about the identified inconsistencies and corrective actions in these cases;</p> <p>Comparison of internal data with data obtained from external information sources;</p> <p>Checking the results of activities by regions, departments, directions, etc.</p>
2.	Data processing	<p>General control is carried out in relation to:</p> <p>Information Center and operations with computer networks;</p> <p>Purchase, modification and maintenance of software for the operating system;</p> <p>Protection against unauthorized access;</p> <p>Acquisition, development and maintenance of information systems applications.</p> <p>Controls used:</p> <p>Checking the arithmetic accuracy of accounting;</p> <p>Accounting and verification of calculations, creation of a turnover register (revolutions);</p> <p>Automated control and analytical operations, for example, computer verification of input data or serial numbering control, issuance of messages or certificates about detected inconsistencies to employees performing the accounting function, which implies correcting such errors during input or later.</p>
3.	Checking the presence and condition of objects	<p>Precautions restricting access to assets or accounting information;</p> <p>Access to computer programs and data files;</p> <p>Periodic inventory (for example, comparing the results of the recalculation of cash, securities and inventory items with accounting data)</p>
4.	Distribution of responsibility	<p>Admission of various employees to perform basic accounting operations, accounting and asset storage operations</p>

The detection of serious errors by the auditor depends on many factors. In particular, the assessment of existing serious errors by both the company's management and the auditor; limited time and cost of inspections; the client "waits" for the auditor to identify errors; the degree of independence of the auditor; his integrity; the external auditor's trust in the internal control system; information about the accounting policy adopted at the enterprise and some of its rules; compliance with the accounting policy policies to the requirements of regulatory documents.

The auditor confirming the financial report based on the audit results must have sufficient evidence to identify all errors in the report and guarantee its reliability by at least 95%. [8]

General audit risk consists of the risk of material misstatement and the risk of non-detection. Audit risk consists of two components: internal risk and control risk.

An economic entity always faces various risks in its activities. The auditor should use professional judgment to identify and evaluate factors that affect the degree of risk.

The list of integral risk factors that the auditor should analyze is provided for in International Auditing Standard No. 315 "Knowledge of the entity's activities and its environment, assessment

of the risks of making significant errors":

1. "The Subject And Its Environment (Network Factors, Regulatory Factors, Other External Factors);
2. The Nature Of The Entity's Activities (Economic, Investment And Financial Activities, Financial Reporting, Selection And Application Of Accounting Policies);
3. Business Goals, Strategies And Related Risks;
4. Assessment And Review Of The Entity's Financial Results;
5. The subject's internal control system (tools, goals and limitations of the internal control system, its division into components)" [4].

Audit risk serves as a criterion for the quality of the auditor's work, and in turn, indicators of internal risk, control risk and risk of non-detection are evaluated not only according to the auditor's opinion, but also according to the collected data.

Depending on the number of organizations involved in the calculations, it is necessary to choose the method of continuous or random verification.

In most audit cases, auditors use a selective method, but if significant errors are sufficient to distort the account, it is advisable to use a continuous method of auditing accounts payable. This method is used by auditors and a small number of accounting organizations.

It is advisable for the auditor to use the following list of audit procedures and apply analytical procedures during the audit.

The use of analytical procedures in the audit of obligations is of great importance. It is appropriate to emphasize that these analytical operations are one of the most important tools for obtaining the main conclusion and verification evidence. Therefore, we conducted a study on the use of analytical procedures in the audit in order to obtain reliable audit evidence during the audit based on international standards. During the audit, the following errors and violations were identified in the application of analytical procedures, as well as suggestions and recommendations were developed for use by audit organizations in practice. [5]

Table 2 Classification of errors and violations using analytical procedures

№	Naming of errors and violations	Number of analytical procedures
1.	Organization of primary accounting	1
2.	Arithmetic errors when reflecting business transactions in accounting (when measuring quantity, weight, volume, etc.)	2
3.	Untimely display of information about business transactions.	3
4.	Non-reflection of information about business transactions in the prescribed form	3
5.	Lack of necessary information in the registers of accounts	3
6.	Violations in the reflection of accounting registers in accounting (filling out documents, long-term storage of unapproved documents)	3

7.	No log of the document flow schedule	4
8.	Document display errors (difference in quantity and quality when copying from a document)	5
9.	Untimely reflection of documents in accounting registers (or lack of information in primary documents in accounting registers)	5
10.	Violations regarding the storage of documents in archives	6
11.	Destruction of primary documents without an act of destruction of the document	6
12.	Covering the debt of one counterparty in advance to another counterparty	7
13.	Late cancellation of overdue debt	7, 9
14.	VAT refund on unaccounted deliveries	8
15.	Non-introduction of adjustments to inventory items written off for expenses, recorded as unmanufactured deliveries, documents received and not corresponding to previously recorded figures	8
16.	VAT refund for deliveries secured by the company's own invoices	9
17.	Late satisfaction of suppliers' claims	10
18.	Arithmetic errors in the calculation of the exchange rate difference	11
19.	In case of creation of reserves for doubtful debts, write them off through other income and expense accounts	12
20.	Incorrect recognition of debt and its write-off at the expense of the provision for doubtful debts or other expense accounts.	12

One of the ways to make a conclusion about the reliability of accounting information about obligations at enterprises is to conduct an audit in accordance with the objectives of the audit. When checking settlements with debtors and creditors, the following system of tests and questions should be used [5].

Table №3 Test questionnaire for the audit of obligations

№	Question	Notes(recommendations)
1.	Are transactions related to the occurrence and repayment of liabilities promptly reflected in accounting?	
2.	Is the internal control system accurately installed? Is executive discipline fully observed?	
3.	Is there an inventory of the liabilities of the balance sheet liabilities? How many times a year? Is the participation of the head and the chief accountant ensured? What analytical procedures are used based on the results of the inventory?	
4.	Who signs contracts with contractors and who controls the procedure for the execution of contracts?	
5.	How is the analytical accounting of debtors organized?	

6.	Are acceptance and transfer certificates drawn up when making settlements with counterparties at the enterprise? Is the schedule of timely repayment of debts being observed?	
7.	What measures are being taken for timely debt collection? In what order does the company deal with various claims?	
8.	<p>If the auditor conducts an audit for the first time, in accordance with International Standard on Auditing No. 510, the auditor must obtain the following evidence:</p> <ul style="list-style-type: none"> - information about the initial balance of accounts payable for the period under study; - information about the balance of settlements transferred from the previous period to the beginning of the current period. 	
9.	If the audit is not conducted at the enterprise for the first time, it is necessary to make sure that the amount of accounts payable in the financial statements at the beginning of the reporting period corresponds to the amounts in the financial statements prepared at the end of the reporting period.	
10.	Are unusual operations being performed? (For example, operations performed without any logic and reason, in the opinion of the auditor, operations performed without following established procedures)	
11.	Verification of the correctness of the transfer of synthetic and analytical accounting information into financial reporting forms (verification of the reliability of financial reporting data)	

When developing the procedure for conducting audits, the requirements of the current legislation in the field of accounting and auditing were taken into account.

The expression of a reasoned opinion on the reliability and completeness of information on accounts payable reflected in the financial statements of the enterprise and the provision of explanations to it determines the purpose of the audit of liabilities.

During the audit, since it is necessary to assess the risk of presenting low-quality information, the methodological recommendations provide for a procedure for evaluating the internal control system, which specifies the aspects that should be paid attention to when auditing obligations [6].

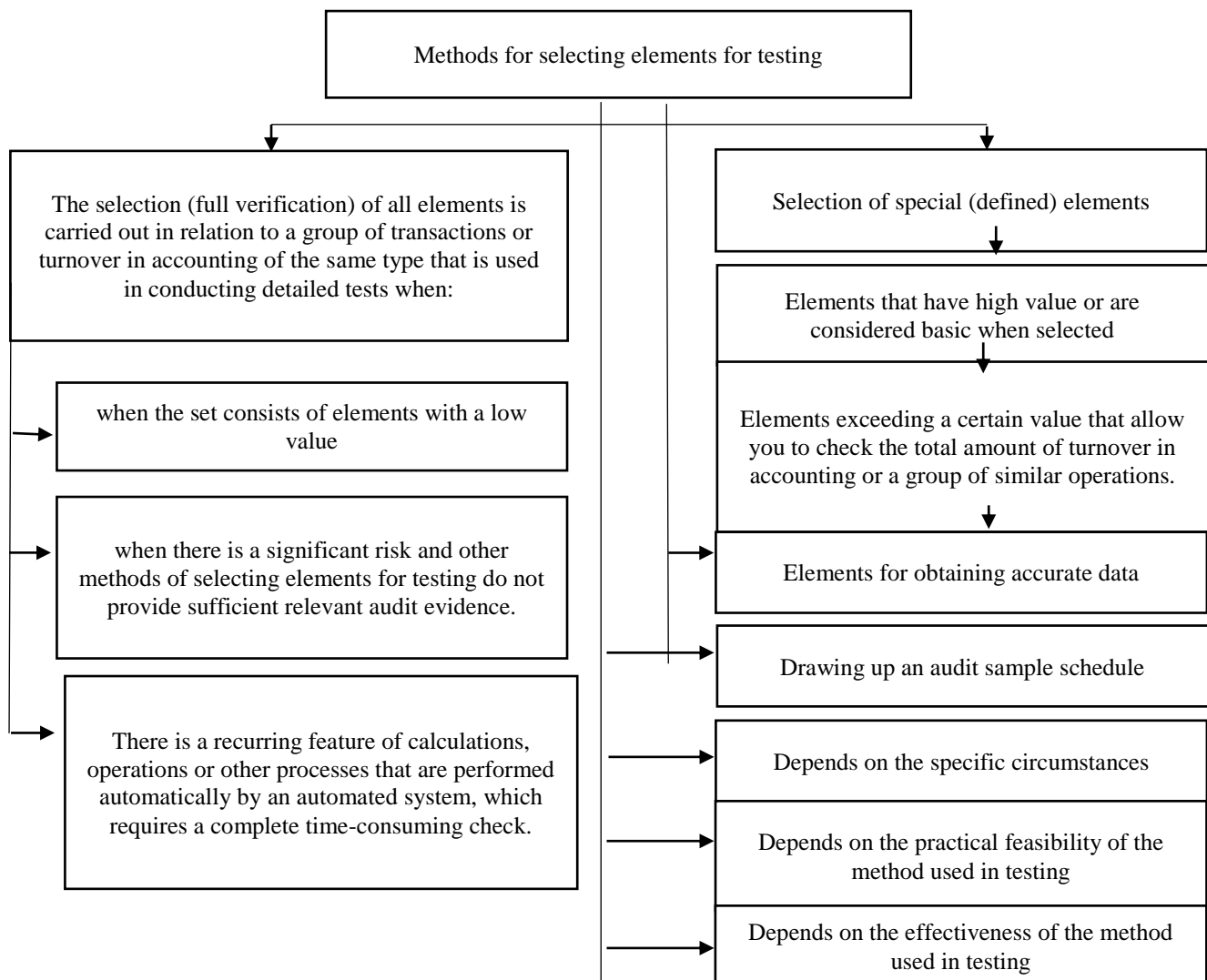


Fig.2 Methods of selecting elements for testing

In conclusion, it can be said that during the audit, the basic principles of documenting the audit of the company's obligations in accordance with the requirements of the Republic of Uzbekistan and international requirements for the preparation of working documents and reporting are shown.

The selection of elements for testing during the audit of obligations also reveals the main features of the audit selection during the audit. An audit is effective if it is reasonably organized and the audit is reliable. For this purpose, there is an approximate program for checking accounts payable, which can be adjusted depending on the goals and objectives of the audit, the scope of the organization under study and other factors. The recommendations disclose audit methods and procedures to determine the correctness and reliability of the data of the report on the status of settlements between the enterprise and its counterparties.

The events or conditions that may raise significant doubts about the acceptability of using the business continuity hypothesis separately or without jointly are defined below. This list is not exhaustive, the presence of one or more list items is not always considered an indicator of the presence of significant uncertainty.

Financial events or circumstances:

- A condition in which there is a net obligation or a net current obligation;
- A condition in which there is no real possibility of repayment or extension of the terms of accounts payable; or the use of short-term loans in excess of the norm to finance long-term assets;
- Signs of termination of financial assistance from creditors;
- Negative key financial ratios;
- Delay or suspension of dividend payments;
- Inability to make timely payments to creditors;
- Inability to comply with the terms of loan agreements;
- The transition of suppliers to the condition when payment for the sale in credit will be made upon delivery of goods"[7].

Thus, the audit allows us to draw conclusions that the amounts on the accounts of obligations are objective. In this case, the methods of obtaining evidence will be based on analytical data generated by the accounting department within the framework of the system of accounting and analytical actions. An efficiently organized system of accounting, analysis and audit forms a reliable and operational information base necessary for managing the financial and economic activities of the enterprise, developing strategies for its further development. Thus, analytical data can be used for operational, tactical and strategic purposes. The integration of functional subsystems into a single accounting and analytical system is important from the point of view of improving the interaction of economic data.

Conclusion

The directions of elimination of existing problems on reflection in the financial statements of the data of the Information system of accounting of liabilities are determined. The issues of settlement with the supplier of goods and contractors and the ways to solve them are also substantiated. In addition, several special cases were studied on the basis of the estimated types of liabilities, and it was proposed to include these types of liabilities in the financial statements as part of the estimated liabilities. The problems of reflecting accrued liabilities in financial statements, as noted in international accounting standards, were also investigated, and the reflection of these liabilities in accounting was improved.

Proposals were developed on the use of digital technologies to reduce the volume of obligations and timely eliminate existing obligations, based on the high volume of obligations of business entities, low solvency. At the same time, on the basis of international auditing standards, reasonable proposals and recommendations were developed on the principles of importance in the preparation of an audit program of obligations, the use of operations to verify the internal control system, the use of clearly defined analytical actions to reduce audit risk. Recommendations have also been developed on the creation of reserves for doubtful debts and their timely use. The audit of obligations covers the methods of selecting elements for testing, as well as the procedure for using these methods.

The application of the above proposals and recommendations in practice leads to further improvement of accounting and auditing of obligations in business entities, as well as improvement of the financial condition of business entities.

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