

**GENERALIZATION OF AUDIT RESULTS OF CONSOLIDATED
FINANCIAL STATEMENTS**

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Abstract: This scientific article is devoted to the consideration of the issues of generalizing audit results of consolidated financial statements. It should be noted, that the results have been generalized on the basis of international auditing standards. In addition, the article reveals the procedure for compiling auditor's report and auditor's conclusion on the basis of collected audit evidence and measures undertaken. Moreover, the article considers the issues of assessing internal and external factors which make an impact when compiling auditor's report and auditor's conclusion.

Key words: financial report, consolidated financial audit, audit, auditor's opinion, head office, subsidiary, auditor's report, auditor's conclusion, accounting policy, reporting generalization.

Introduction

Currently under conditions of enhancing international integration in terms of doing business and its development, the world community challenges many problems. Definitely, the issues of a taxable base, conditions of investment flows, bases of capitalization of funds acquired, appropriate principles and algorithms are connected with the financial statements compiled by the companies. Therefore, the issue of the merger of the companies with each other, which will result in the financial and economic activities of the parent company and its subsidiaries, as well as ensuring transparency, connected with the consolidated financial statements and conducting audit in reliance upon international auditing standards, is considered to be crucially important.

Attraction of foreign direct investments in the joint-stock companies, significant increase in efficiency of joint stock companies, provision of transparency and attractiveness of financial reporting for investors, introduction of modern corporate governance techniques, strengthening the role of shareholders in strategic management of companies and studying and analyzing international experience, and, in reliance upon this fact,

introduction of modern management techniques, improving the logistics and inventory of domestic companies require efficient utilization of financial and labour resources.

The transition of our country to the market economy leads to a significant expansion of the role of accounting and reporting, preparation of information in international standards. The need for IFRS reporting is due to objective reasons. This will enable to compete in the contesting environment for foreign investment, as well as improve the quality of reporting for domestic users as a result of its transparency and comparability. The availability of financial reporting, compiled on the basis of international standards will ensure clarity and transparency of auditor's conclusion for external users.

Therefore, auditing the consolidated financial statements involves planning audit, selecting correct actions to be undertaken, collecting the audit evidence and summarizing and assessing the results.

In order to present financial statements to foreign investors, an external audit must be conducted by an external auditor and, upon the results of this, an appropriate auditor's report must be compiled and presented. In this case, definitely, an audit of verified financial statements requires preparation of financial statements in reliance upon international financial reporting standards framework. In this regard it is essential to arrange an external audit according to this procedure, including summarizing the results of the audit in compliance with the international standards. Moreover, it is pivotal to conduct an external audit of financial statements of business entities and to develop a procedure for summarizing its results.

In this regard it is important to ensure compilation of consolidated financial statements in compliance with international financial reporting standards. Thus, in the process of auditing financial statements, a particular focus should be made on the analysis of current state of compiling financial statements and, in reliance upon the results obtained, further improvement of the stages of generalizing its essence. In the structure of an auditor's report a particular attention shall be paid to its essence and structural composition. First and foremost, it is important to analyze an auditor's report and its structural composition as outlined in the International Auditing Standards. In compliance with International Auditing Standard (IAS) №700- "Formulating an Opinion and Drawing an Report (Conclusion) on Financial Statements", "An auditor's report, compiled on the basis of the results of the audit conducted according to the International Auditing Standards, shall consist of the following sections:

- title;
- addressee;
- introduction paragraph;
- auditor's responsibility;
- auditor's opinion;
- auditor's signature;
- date of the auditor's report;
- auditor's address¹.

According to this standard, such facts as consolidated financial statements of which economic entity is subject to audit, composition of financial statements, period of the audit, accounting policy and comments, the date or period of financial statements are clearly specified.

It is ascertained that the management of the audited economic entity is responsible for preparation of the consolidated financial statements. As for an auditor, he is responsible for accurate interpretation of the data contained in the consolidated financial statements, as well as for timely compilation of the reliable auditor's report and auditor's conclusion.

Summarizing information on the audit results, assessing errors and their impact on the financial results must be formulated by the customer and submitted to the management in compliance with the internal standards of the audit company. When compiling an auditor's report, an auditor consolidates the data on compiling an auditor's report according to the international standards. If any errors or drawbacks are revealed during the audit of consolidated financial statements, these errors and drawbacks are communicated to the management combined with the proposals aimed at their elimination. A customer develops a written report to the management in reliance upon internal standards of the audit company. Herewith, definitely, a particular attention is paid to the internal standards of the audit company and a written report is compiled on the basis of this data. An audit company may

1. International standards for audit and quality control. 2012. Section 1, volume 3. -T.: UBAMA, 2014.-1052-1053 p.

have its own internal standards, and these standards imply compilation of a written report as one of the required stages and one of the auditor's responsibilities. The main aspect of the auditor's report is collecting audit evidence and analyzing the indicators related to this evidence.

Development of the classification of the financial statements in reliance upon such aspects, as the method of financial statements' compilation, structure, separate tasks and responsibilities, the scope, merger and consolidation of companies, term of the audit are essential for determining structure and essence of financial statements. Proceeding from this fact, the process of submission of consolidated financial statements, as well as their structure and essence are brought in compliance with the benefits of users of this information.

It should be noted, that activities aimed at compilation and further improvement of the consolidated financial statements can be implemented in the following directions:

In the first direction, a report of the auditor who participated in certain audit inspections and an auditor's report of consolidated financial statements obviously differ from each other. After development of the contract on conducting an audit, a head of the auditing group determines a general audit plan, its programme, a list of auditors attracted to the audit process, as well as their responsibilities.

The second direction implies that in the process of conducting an audit, an associate auditor shall work out audit completion checklist.

The third direction implies stage-by-stage compilation of the auditor's report in reliance upon the responsibilities of each auditor specifies in the audit plan and audit programme.

In conditions of the digital economy in our country, in order to represent some information by definite figures, it is pivotal to confirm reliability of the consolidated financial statements compiled by major companies and economic entities. In this process, it is crucially important to formulate an auditor's report and auditor's opinion by the reliability of the consolidated financial statements.

When processing large volumes of various information for developing an auditor's conclusion and ensuring its reliability, first of all, it is required to compile an auditor's report. Proceeding from this, it is possible to make a conclusion about the relevance of the use of an "auditor's opinion" term regarding the attitude of an auditor towards a customer's

company. Moreover, the concept of an auditor's opinion connects the process of conducting an audit with its theoretical part within the framework of the statutory base. In addition, an auditor's opinion is aimed at the development of the practical solution of the aim and objectives of the audit. This requires a clear explanation of the process of formulating an auditor's opinion based on the results of an audit of the consolidated financial statements. In the process of generalizing the audit results, an auditor's opinion enables to determine mutual interrelations, to analyze impact degree of various factors and cases for specifying sequence of auditor's actions, as well as to express an opinion in the auditor's conclusion and completely understand an auditor's resolution.

Generalization of the audit results, confirmation of the compliance of the reliable data of consolidated financial statements approved by auditors with all items and lines of accounting documents and financial reporting are considered to be one of the basic indicators. In this regard it is necessary to assess internal and external factors which may impact an auditor's report and auditor's opinion compiled as a result of the audit of consolidated financial statements, as well as reduce the risks occurred due to these internal and external factors. If the risks occurred in the process of auditing consolidated financial statements are high, then this fact results in the modification of the auditor's conclusion. In this case, it is necessary to formulate a written letter to the management of the customer's company regarding the issues that caused the auditors to change the type of auditor's opinion.

To summarize the audit results of the consolidated financial statements, the audited data need to be allocated into the same system and group. For this purpose an auditor's report is compiled, the errors detected in the process of audit are analyzed, and, as a result, auditors make appropriate settlements.

A company of the customer is concerned about eliminating the errors detected in the audit process of its financial-economic activity (or activity of the head office and subsidiaries) and getting a favourable auditor's conclusion. If the drawbacks detected by auditors are not higher than significance risk and auditor's risk, they should be mentioned in the auditor's conclusion. However, if the risks are higher, then auditor's risks, and the drawbacks are eliminated (improved) before the date of auditor's conclusion is compiled, then this fact about improvement of drawbacks should be specifies in the auditor's

conclusion. If the financial reporting does not comply with the consolidated financial statements, the financial reporting made by the subsidiaries will be identified and reflected in the auditor's report.

The opinion of the audit company on the reliability of the financial statements of an economic entity cannot and should not be interpreted by this entity and interested users of the auditor's report in any other way. An auditor's report is a document with legal status for all legal entities and individuals, public authorities and administration, local authorities and judicial bodies. The opinion of the audit company (auditor) based on the results of the audit carried out on behalf of the inquiry bodies is equal to the conclusion of the examination appointed in accordance with the procedural legislation of the Republic of Uzbekistan.

The consolidated financial statements prepared by the parent company are required to comply with the financial statements of the subsidiaries. In turn, the final results of the reliability or uncertainty of the financial statements are due to the fact that financial statements do not reflect the infringement of financial reporting and operational processes.

The following indicators may have a favourable effect on the company's report when inspecting consolidated financial statements by auditors:

- distribution of the terms and conditions available at the date of compiling consolidated financial statements;
- information reflecting the new terms that arise after the date of submitting financial statements.

Timely analysis of events after the date of signing an auditor's report and collected audit evidence and audit procedures are inseparably connected with their reliability.

Condition: The audit of the consolidated financial statements is characterized by a stage at which a preliminary study of the object of verification is carried out. At this stage, the auditor assesses the possibility of conducting an audit, and also forms the information base for the subsequent stages of the audit. The complexity of this stage is that the relationship between the client and the audit company does not have legal force, and therefore the auditor's access to client information is limited. The information that the auditor receives during the preliminary study of the audit object is extremely important because it enables to determine the essential terms of the audit contract, including the timing of the audit and the cost. It should be noted, that generalizing of audit results of consolidated

financial statements compiled on the basis of international financial reporting standards ensures its reliability for users.

Application of audit evidence when auditing consolidated financial statements compiled on the basis of the international financial reporting standards and adequacy of this evidence comprises an essential and indivisible part of the process of developing an auditor's report which does not require use of any additional evidence.

Due to the fact that the consolidated financial statements represent a report on the financial position and financial performance of a group of several economic entities, the study of the activities of the audited group is even more important than the audit of individual statements. This is largely due to the fact that, as part of a group, companies operate, as a rule, in the interests of the parent company. Herewith, the result of intragroup transactions may result in a significant improvement in the financial position of the parent company according to its individual reporting, while subsidiaries may incur significant losses or acquire significant liabilities. As practice shows, the unlawful inclusion in the group (as well as the exclusion) of one or several companies can significantly distort the data of the consolidated statements, which is highly likely to mislead interested users of such statements and influence their management decisions.

In the process of auditing, auditors obtain audit evidence that can shape audit findings through analysis and synthesis. In conclusion it should be noted that consolidated financial statements are compiled on the basis of indicators of individual statements of the companies included in the group. Thus, the reliability of individual reporting indicators directly affects the reliability of the consolidated statements.

Summarizing the statements specified above, we may conclude that consolidated financial statements are a set of all statements of firms that are part of a single group of companies. This documentation includes information on profit, loss, assets, liabilities, but does not take into account the debts of one company to another, transfers and profits. In addition, consolidated reporting involves a large volume of documents. Therefore, the audit in this case is very complicated and requires comprehensive study of the audited object and elaboration of appropriate technique for developing consolidated financial statements.

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