

## **IMPROVEMENT OF EXTERNAL AUDIT OF FINANCIAL STATEMENTS IN BANKS BASED ON INTERNATIONAL AUDIT STANDARDS**

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**Annotation.** This article covers the issues of conducting an audit of consolidated financial statements made by banks on the basis of international audit standards and introducing this issue into the banking system of Uzbekistan, the introduction of IAS in external audit. In the process of the practice of external audit of commercial banks, issues of the application of audit actions in the verification of reports on the basis of IAS were analyzed, and the features of the audit of bank financial statements and their specifics in its implementation were analyzed.

**Keywords:** international standards, commercial banks, features of banking, external banking audit, banking system, consolidated financial reporting.

### **Introduction**

In order to make it possible to equally understand and analyze the financial statements of different countries in the process of international integration, and to find a solution to the problems of calculating the impact of financial risks in the same methodology, first of all, it is necessary to introduce international standards of financial reporting in the banking system. Ensuring the transparency of financial statements in commercial banks, maintaining the accounting system on the basis of the requirements of international standards, is considered important in increasing the reliability of reporting information. As noted by the president of the Republic of Uzbekistan on this issue, "Joint-Stock Companies, commercial banks, insurance organizations and legal entities included in the category of large taxpayers will organize accounting on the basis of IFRS from January 1, 2021 and will prepare financial statements on the basis of IFRS from the end of 2021, with the exception of legal entities whose"According to this decree, Joint-Stock Companies will carry out accounting and preparation of financial statements on financial economic activity on the basis of IFRS from January 1, 2021.

The decree of the president of the Republic of Uzbekistan dated February 7, 2017 No. PF-4947 "on the strategy of action for the further development of the Republic of Uzbekistan", the Cabinet of Ministers of the Republic of Uzbekistan dated July 28, 2015 No. 207 "on the introduction of criteria for assessing the effectiveness of the activities of Joint-

Stock Companies and other economic entities, We think that this article can serve to some extent methodologically in the implementation of the decision of February 24, 2020 PQ-4611 "On additional measures for the transition to international financial reporting standards", as well as the tasks set out in a number of other regulatory legal acts related to this area. Thus, as a result of the introduction of international standards of financial statements, the activities of commercial banks in Uzbekistan, it is possible to present financial statements of banks on the basis of the requirements of international standards as a result of finding solutions to these issues, as a result of the introduction of international standards of financial reporting in the banking system, it is As a result, an opportunity is created for banks to understand their activities by foreign clients, investors and make appropriate management decisions on their basis, and it is possible to formulate Consolidated Bank financial statements based on the requirements of international standards, and transparency of financial reporting indicators and understanding it by information consumers.

### **Literature Review on the Topic:**

In the following years, the emphasis on the compilation of financial statements by commercial banks and its organization on the basis of international standards has made it necessary to adapt financial statements to modern requirements and keep them in the manner established in the world community. In particular, as a result of keeping the financial statements of commercial banks in accordance with international requirements, it is necessary to ensure that their securities participate in international stock exchanges and work them in full blood with foreign partners, check the validity of their financial statements, check their compliance with accounting indicators and evaluate the international audit standards and internal control system in accordance, the need to find a solution to the issues of improving the application of analytical actions is emerging. Several scientific studies have been carried out by various foreign economists - scientists on the formation of consolidated financial statements in commercial banks, its organization on the basis of international requirements, the goals and objectives of the banking system, International Financial Reporting Standards and the implementation of this issue and the introduction of IFRS into banking practice: "the advantages of using international standards of financial If the enterprise does not have an international level of reputation, it will not be competitive from the point of view of foreign investors. secondly, according to international experience, the usefulness, high quality, extensive knowledge and ease of use of financial resources, compiled in accordance with international standards. A striking example of this is the fact

that today many stock exchanges allow the exchange to display their tokens, compiled by international standards for foreign issuers. thirdly, it is possible to save time and resource. fourth, that accounting practices embody the experience of jaxon". One notable aspect of this issue is that it addressed the issue of recognition of the documents of the IFRS in the Republic of Uzbekistan, including the introduction of international standards in the banking system. The recognition of relevant accounting and financial reporting documents in the IFRS banking system and the designation of commercial banks that apply it require that the accountant and financial specialists of this company work constantly on their qualifications and feel a serious sense of responsibility. As a result of the harmonization of systems in states in connection with the globalization and digitalization of the world economy, the need arises to compare the form, quality, level of reliability of the economic system and adopt an accounting system in banks, which is common and the only one that everyone understands in the formation of the economic data provided. In this matter, a group of economists called a.K.Ibragimov, Z.A.Umarov, K.R.Hothamov., N.K. Rizaev comments: "such a single system is an international standard of financial reporting, and these standards were established in 1973 by the Association of accountants and auditors of the qualifications of 10 major countries of the United States, England, Germany, France, Japan, Canada, Australia, Ireland, the Netherlands and Mexico, in order to bring into one form the accounting principles used in the preparation of financial statements Today, the committee has absorbed 153 such associations from 112 countries. IFRS -the main goal is to find ways to create and introduce into life universal standards of financial statements that are acceptable to everyone by improving them, taking into account the best specifications of financial statements of all countries in the world." Another economist is according to D.A. Chilmatova We can see that expressed the following opinion on the transition to the international standard of financial reporting : "it should be noted that by accelerating the transition to international financial reporting standards, it is important to provide foreign investors with the necessary information environment and expand access to international financial markets, as well as improve the system of training specialists in the accounting and audit In addition, in this matter The Economist-scientist I.R.Ibragimova commented: "the effectiveness of methods of rating the activities of Joint-Stock Companies in foreign countries, the results of the rating imposed on joint-stock companies are important. International standards for these financial statements are used for the following purposes:

- provides the basis for national requirements for accounting and reporting in most states;

- used as an international benchmark for individual countries developing their own requirements for accounting and reporting;
- when required by stock exchanges and regulatory authorities to structure financial statements in accordance with their IFRS;
- The use of IFRS due to the increased number of companies even in countries where it is not required" . Thanks to the above, IFRS is being used and recognized more widely throughout the world. Even, some countries are using IFRS without the same changes as their standards, and some are making some changes depending on the nature of the country.

### **Research methodology.**

Within the framework of this study, in the process of drawing up and forming Consolidated Financial Statements of commercial banks, issues of organizing an accounting system in the banking system on the basis of international standards, international standards of financial reporting used in the process of forming Consolidated Financial Statements, Information Sources of reporting and practice associated with their collection were analyzed. As a result, it is possible to keep bank accounts and reports in accordance with international requirements.

### **Analysis and results discussion.**

The implementation of the international accounting system in commercial banks of the Republic of Uzbekistan is important in the proper organization and maintenance of accounting. And for this, it is necessary that accounting personnel have sufficient understanding and knowledge of the basic principles and methodological foundations of accounting and financial reporting. Uzbekistan's attempt to join the World Economic Community, to expand its participation in the activities of international organizations requires the unity of national standards of accounting with methodological principles adopted in world practice, coordination of national indicators with these indicators being used abroad.

The application of the international standard of financial reporting by commercial banks in particular greatly contributes to the domestication of commercial banks in the Republic of Uzbekistan into the international banking system and affects the quotation of their securities on international stock exchanges. For this reason, This has been stressed by a group of scientists on the issue that this issue is important in our country. "To ensure that the banking and financial structures of our republic are among the banking systems of developed countries of the world economy, and to apply the achievements of world practice in this area directly to the activities of the banking system, to produce conceptual and specific

foundations of the formation of financial statements of banks in the world banking system, and to apply It is worth noting that a significant increase in foreign investment in recent years is a sign of a further increase in confidence in the banking system." As a result, the quality description of financial statements of commercial banks in the Republic of Uzbekistan presented to various potential users and the level of transparency of information should be further strengthened, and the application of halkaro standards of financial statements produced in world practice is of great importance. Thus, the introduction of the international standard of financial reporting on the activities of commercial banks in the Republic of Uzbekistan will further improve its development and connection with international financial institutions. So from the above, we can conclude that the different opinions of economists-scientists in the economic literature on this issue indicate that this issue has not been worked out thoroughly enough. Well if we analyze how many opinions are held by economists-scientists from foreign countries in this matter, we can see that there are opinions as follows. Including the Russian economist-scientist It was noted by Daryakin A.A.: "in Russia, the process of transition to the international rules of accounting and reporting began, first of all, from the banking sector. Since 2004, banks in Russia have also begun to submit their financial statements in accordance with the requirements of international standards in conjunction with the compilation of them under Russian rules. As a result of the economic reforms carried out in the world, conditions were created for the transition to international standards of financial statements, the formation of financial statements presented as a result of the integration of large commercial banks into the international system in a form understood by foreign business partners. The result was the integration of the banking system into the international system and the transition to the international standards of financial reporting ."This means that the financial statements presented in commercial banks as a result of their integration into the international system indicate a high level of integration into the international banking system, which foreign partners understand and the international banking system. In addition, as a result of our study of the opinion of other economists-scientists on this issue, I can see that the following opinion exists. For example, in this matter, prof. Teterleva A. S. the rules for maintaining the accounting system in Russian commercial banks on the basis of International Financial Reporting Standards are established by international standards and opinions are expressed on maintaining it in accordance with international requirements: "in the banking system in Russia, forms of reporting are established, which are provided by International Financial Reporting Standards, which include accounting for the activities of banks,, a system of comparable and

accurate data on the financial situation and financial results of a commercial bank will be formed". This means that as a result of the compliance of the indicators of financial statements of commercial banks with international requirements, the processes of transformation to international standards are very light. In addition prof. E. I.Kulaeva, N. B. According to Ershova, "it is necessary to express the system of financial indicators that reflect the results of economic activity of economic entities in the relevant period based on exactly the corresponding, that is, the international standard". Hence, in forms of financial reporting based on international standards, including the financial condition of commercial banks, the results of which make it possible to draw an appropriate conclusion on their activities. Thus, commercial banks use the following standards, taking into account the general and sectoral nature of financial reporting forms: financial reporting forms and standards (IAS №1 "submission of financial reporting", IAS № 7 "report on cash flows", IAS №8 "Financial Reporting and accounting policy", IAS №27 "consolidated and separate financial statements", IAS №32 "financial instruments:submission of information," IFRS №7 "Financial Instruments: disclosure of information", IFRS №-9 "financial instruments" recorded through official sources. Because in the Republic of Uzbekistan, it is important that these MHXS are used in the formation of reports by commercial banks. In banks, for example, information that must be included in the report on its financial condition should be placed in the order in which it is convenient for analysis. When placing accounting articles, it is advisable to pay attention to their degree of liquidity. Especially special peculiarities in the jearayan formation of indicators of this report by commercial banks, in which the following rules play an important role. When placing balance sheets, their liquidity level is taken into account, that is, the procedure for moving from fast liquid assets to difficult ones, from short-term liabilities to long-term ones is observed. In addition, assets that generate income: the bank's assets, such as accounts in other banks, investments in securities, loans and leases, occupy an important place. It is especially important to clarify the composition of non-profitable assets. Including basic tools in commercial banks, intangible assets, other assets, cash and other payment documents at the cash desk, precious metals, coins, stones, financial instruments of customers, etc. This process is important and occupies an important place in the process of its analysis, determination of their income and expenses. Then the opportunity arises to compare current assets with current liabilities. This makes it convenient for information users to determine the liquidity of the balance sheet. Important in this matter are the rules established within the framework of international requirements, including the issue of the international system of accounting and reporting for the banking system.

## CONCLUSIONS AND SUGGESTIONS

The following proposals were made in the Republic of Uzbekistan based on the study of the procedure for the introduction of international standards of financial reporting on the activities of commercial banks:

1. In the process of formation of consolidated financial statements by commercial banks of Uzbekistan, the need arises to organize financial statements in accordance with the requirements of IFRS, the main issue in the formation of reports in accordance with international requirements;

2. Organization of foreign transfers and banking practices for interaction with foreign banks in accordance with the international standards of financial reporting and the establishment of mutual coordination of its reports with international requirements; Thus, within the framework of this scientific research, the introduction into practice of developed proposals for the introduction of standards in the activities of commercial banks provides the opportunity to conduct financial statements of commercial banks on the basis of international requirements, and the possibility of their regulation within the framework of international requirements is created.

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