

AUDIT RISKS IN JOINT-STOCK COMPANIES AND THE APPLICATION OF INTERNATIONAL STANDARDS IN THEIR EVALUATION

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Abstract:

The issues of identifying auditing risks and reputation, calculation, evaluation of auditing risks, introduction of international auditing standards in the audit of financial statements are covered. It includes scientific and practical proposals and recommendations on the nature of audit risks in joint-stock companies, the risk of internal control, the risk of failure to find, issues related to the accounting of internal economic risk, the use of international standards of audit in the process of risk assessment.

Key words: international standards of auditing, audit risk, internal control risk, risk of failure to find, internal risk, analysis, risk of failure to find in essence.

1.Introduction.

In the sustainable development of the economy of our country there is a role of the stock companies. In these circumstances, it is important that the activities of the joint-stock companies, including the audit of their financial statements and the proper assessment of the risks in the audit of their financial statements in accordance with international standards. In this context, the issue of auditing risks and their assessment in the Joint-Stock Companies of the Republic of Uzbekistan is one of the important and topical issues. In this regard, our President Sh. Mirziyoyev's Decision No. 3946 of September 19, 2018 "on measures for further development of audit activity in the Republic of Uzbekistan" (PD-3946, 2018) the objectives of the audit company, including the formation of an impressive system of external control over the quality of the work of audit organizations, aimed at improving the legislation on auditing activities, including on the basis of international standards, improving the quality of audit services and supporting the confidence of the business community in the results of the work of audit organizations, are, it was in this context that the task was set to formulate new approaches in their assessment and compilation of financial reports, as well as ensure the introduction of modern technologies and methods.

In this role, audit firms and international rating companies play an important role in the control of Joint-Stock Companies and in determining the adequacy of their capital. Therefore, the broad introduction of the principles of IFRS into the activities of the Joint-Stock Companies creates an opportunity for closer cooperation of internal and external audit services. The main purpose for which it is aimed is to focus seriously on the profitability, liquidity and solvency in the Joint-Stock Companies. This situation implies that in carrying out an audit of the activities of the Joint-Stock Companies, it is necessary to constantly analyze, evaluate and mitigate the risks that affect them.

Finding solutions to these problems will radically improve the quality of the organization of auditing activities and will create an opportunity to improve the methods of determining the audit risks in the audit reports in the Joint-Stock Companies, their assessment procedures, methods of calculating the level of risk in the conduct of financial reporting audit.

It consists in developing scientific proposals and practical recommendations aimed at assessing audit risks and improving their conclusions in the conditions of modernization of the economy:

- analysis of the theoretical framework for determining the risks of auditing in the conditions of modernization of the economy;
- to determine whether the audit evidence confirming the authenticity of the audit reports in the Joint-Stock Companies is justified and to carry out the analysis of the impact of positive and negative factors that determine its quality, the need to assess the risks to the results of the audit;
- to develop practical recommendations on improving the method of determining the level of audit risk in the conduct of an audit in the Joint-Stock Companies;
- to develop practical recommendations aimed at improving the methods of risk detection and calculation in the conduct of audit using statistical methods;
- to develop scientific recommendations on the determination of auditing risks in the Joint-Stock Companies in the audit of financial statements and the establishment of an audit report on the basis of international standards of accounting and international auditing standards.

2.Literature review

In the conditions of modernization of the economy, issues of analysis of audit risks, their application in practice are the focus of attention of most economists and scientists. Including from foreign scientists on the issues of Audit Risk Assessment: M.Benis and D.B Williams(2013): "it is well known that audit checks play a key role in the Real evaluation of the activities of the Joint-Stock Companies, in the access of creditors and investors to accurate information about the activities of the society." therefore, it is important to identify auditing risks. Russian scientists on this issue: A.Belyakov (2008), S.M.Bichkova(1998) affirms the validity of the financial information given by the companies of , an auditing company that has a certificate of independent audit of its external audit. The expected objective of it is to collect and evaluate the Joint-Stock Companies in all aspects of the Society' report verification' to verify whether they have been executed or not in accordance with the normative acts. For immediate audit risks R.D.Dusmuratov(2007) investigated in his scientific work, in which the main focus is on the issue of the implementation of external audit. A.K.Ibragimov(2013) carried out scientific research on the system of control over the activities of commercial banks, the development of national standards of Internal audit Service, importance in the planning of audit and the selection of audit object, increasing the level of audit evidence and reliability, documenting the stages of internal audit process, preparation of internal audit reports, stages and procedure of presentation.. . We can see that in the external audit of commercial banks by N.Y.Idiev (2009), attention has been paid to the issues of identifying and assessing the audit risks. It is known to us that the external audit studies the initial and generalizing documents, accounting provocations' cash means' material-material value carefully and carefully. It expresses its opinion on the fairness of the financial statement. financial analyzes economic activity' evaluates assets and passives. Improving the client's financial position will help attract' investors ' creditors, provide advice to the financial, tax and other sectors. The audit report is a legal document for all individuals and legal entities and provides conditions for the reliability of financial statements and the analysis of indicators. Together with this audit report, the financial statements of the Joint stock companies are also published in the open press. Therefore, the main essence of the external audit of financial statements is to ensure that the audited economic entities operate in a uniform manner and protect the interests of creditors, depositors and customers. The need for external audit is determined by the very proximity of the stock companies to the

bankrotic risk, in which the bankroticity of a single stockadorlik society can lead to the bankroticity of creditors and customers who are several subjects of the sector or have a negative impact on the activities of other subjects. Because in the economy, all subjects of the sphere are considered to be interconnected by chains.

The next important issue in the external bank audit is to identify the audit risks, evaluate them, make appropriate management decisions and establish fair competition. This will prevent many negative consequences later. Economist In his research work by N. Idiev (2009), we can see that the definition is as follows: "auditor risk" is a risk that arises when an auditor gives an inconsistent auditor conclusion when financial reporting is seriously falsified. Audit risk consists of the following 3 components: the risk of failure to find, the risk of control and the risk of indiscriminate". Also, the audit risk is significantly affected by the following factors. These are:

- 1) Audit ethics ;
- 2) Seriousness;
- 3) Deviations in Professional service;
- 4) Levels of Audit professional qualifications requirements;
- 5) Uncertainties in Audit evidence;
- 6) Shortcomings in internal control;
- 7) Factors that are overlooked from the planning point of view.

The auditor's risk(auditor's risk) is based on his / her opinion on the correctness of the audited financial statement and this opinion may be inaccurate. Including: aktsiy after the financial statements of the shareholdersadorlik are approved by the auditor, significant deviations may be identified or the auditor may conclude that deviations exist in the current report if there are no deviations.

Economist-scientist R. Dismuratov (2007) on this issue states that "it is not possible to completely eliminate the risk of an auditor, therefore, by taking into account omillarni, which may be different in the process of planning an audit, risks are tried to be reduced as much as possible. The general auditor's risk is of the following types:

- Domestic risk;
- Control risk;
- Risk of not being able to find.

The Audit should examine these risks in the course of the work, evaluate them and document the results of the evaluation. The difficulty of identifying the risks is that they cannot be assessed in the form of net worth, so they are determined by the auditor at the high, medium and low level. The concept of internal economic risk refers to the misinterpretation of the remaining information, uncertainties or misinterpretation in the accounting information, they come to the assumption that in a situation that occurs simultaneously, the reasoning made from the basis of this information may change or that uncertain or incorrect facts may affect it. This concept of risk is an economist-scientist on the audit of the activities of economic entities described by R. Dismuratov (2007) as follows: "Internal farm riskixr (IR-Internal risk) - this is understood as the probability that serious deficiencies in the report of an economic entity, until such deficiencies are identified using the tools of an internal control system or when the internal farm control system is completely absent, is subconsciously identified by the auditor". Situations that significantly affect the accuracy of the financial statements of the Joint-Stock Companies are recognized as important in the audit and they are directly related to the risk of internal control.

3. Research Methodolgy

The problem of determining the level of internal economic risk is of particular importance at present in connection with the need for the practical application of

international standards of audit activity in the external audit of financial statements of companies.

Internal risk assessment in the process of auditing the international practice of auditing is regulated on the basis of the standard (ISA 400 "Risk Assessments and Internal Control") №400- "risk assessment and internal control". In this standard, the following concepts are explained: "control risk is the risk that deviations from the operations class and balance of accounts, (some of the operations class and balance of accounts, or deviations from the sum of them) are risks that are not corrected, identified or timely errors in the accounting and internal control system. In the issue of internal control risk, the basic principles of control have been defined by the Basel II on Banking Supervision (2004). "The main principles of the control process have been developed by the committee:

Principle 1: banks should develop a strategy to support their own risk and level of capital in the process of determining the adequacy of the total capital;

Principle 2: the banking supervision agencies determine, examine and evaluate the adequacy of the internal capital of the bank and determine the ability to ensure and monitor compliance with the regulations on this capital and its strategy in this area;

Principle 3: the banking supervision agencies will be able to demand from the banks that the level of capital is higher than the minimum regulative norms and that the capital in the bank is higher than this minimum;

Principle 4: the banking supervision agencies should carry out an intervention that will prevent the capital from decreasing, prevent the capital from decreasing to a minimum, ensure the bank's risks associated with this, if the amount of capital is not kept sufficiently or is not restored to the appropriate level, take prompt measures to correct this situation."

Compliance with these principles is especially important in the conditions of the current financial crisis. Including, it is important to check the internal control system by external audit and its compliance with internal control standards.

4. Analysis and results.

Analysis of the possibilities and shortcomings of the stockadorlik societies requires attention to the following: dynamics in the market (growth, decline, change of conjuncture); changes in technology (creation of new products); economic situation (rise, decline); social factors (formed social institutions and relations); envisions such issues as ecology.

Changes in the world economy will naturally affect the economy of the Republic of Uzbekistan, and as a result, there will be a need to organize the audit of the activities of the Joint-Stock Companies on the basis of international standards. Because the activities of the shareholdersadorlik societies in carrying out the audit, foreign auditing firms are also operating together with local auditing organizations. Therefore, the need arises to organize their activities on the basis of the same methodology and the organization of audit reports on the basis of international standards. In the near future, the need for the organization of audit activities based on the recommendations of international audit standards arose, referring to the wide introduction of international audit standards in the Republic of Uzbekistan into the work practice of the Joint-Stock Companies.

The Internal audit Service in the Joint-Stock Companies shall set individual auditing duties before its employees. They include the following aspects:

1). Evaluation of individual systems for assessing the risks of society.

2) Analysis and evaluation of the following:

-optimality of internal control systems and related procedures;

-compliance with the rules of normative acts, other legislative and normative acts of the Republic of Uzbekistan by the Society of the stockadorlik;

-availability and work efficiency of accounting and financial reporting processes;
 -the existence of systems that control the detection and correction of possible errors in the management information system of the society, as well as recommendations in the field of improvement of audit results and internal control systems, allowing the chairman of the board of the company to provide information. To achieve this goal, it is necessary to introduce a specific step-by-step approach to the audit of internal control systems established in the equityadorlik societies. In the audit of financial statements of shareholdersadorlik societies, an optimal assessment of audit risks is important. For this reason, the following methodology is used in equityadorlik societies in assessing auditing risks.

So it is necessary to assess these risks on the basis of these groups. For example, according to Joint-Stock Companies "Zamona Real", the internal farm risk identified by the auditor in 2014 year is -72.5%, the risk of control is -64.7%, and the risk of failure to find-7,48%. When we calculated by this formula, the result was obtained as follows.

$$\mathbf{DAR=IR \times CR \times DR}$$

DAR-acceptable set of audit risk:

IR-internal risk

CR-control risk

DR-the risk of not being able to find

$$\mathbf{DAR = IR \times CR \times DR = 0,725 \times 0,647 \times 0,0748 = 0,03508681 \text{ or } 3,508\%}$$

Based on this formula, the optimal set of audit according to the results of the auditor's calculation should not be higher than 4-5% on average, serve as the basis for planning the audit process.

When the external audit was carried out on the basis of the formula for calculating the optimal set of audit, these indicators for the last 5 years Joint-Stock Companies "Zamona Real", were as follows.

Table 1.
Dynamics of the acceptable package of audit risk by external audit in the "Zamona Real" company (per year)*

Indicators	2015	2016	2017	2018	2019
1.IR	0,798	0,783	0,842	0,891	0,912
2.CR	0,615	0,652	0,559	0,615	0,621
3.DR	0,0914	0,0824	0,0917	0,0985	0,0854
4.DAR	0,0448	0,0421	0,0432	0,0539	0,0484

As can be seen from this table, in 2015 year 4,48%, in 2018 year 5,39%, in 2019 year 4,84%, the optimal set of the average annual audit risk amounted to an indicator of around 4,65%. But since this method is good, the auditor in most cases does not use it, and the effectiveness of this formula is less. Therefore, for the purpose of making an effective plan, it uses the second method of risk calculation by the auditor, that is, it determines the risk of failure to find and is based on the relevant audit data. To this end, the Audit Risk model is re-calculated as follows:

$$\mathbf{DR=DAR/IR \times CR}$$

Based on the above information, the auditor identified the acceptable audit risk as 4,65%. In that case, based on the above data, the following indicators were achieved when we calculated:

$$\mathbf{DR= 0,0465/0,9 \times 0,6=0,0861}$$

*Ушбу жадвал Акциядорлик тижорат ипотека банк "Ипотека-банк" имаълумотлари асосида муаллиф томонидан ҳисобланди

therefore, according to this formula, we can determine the degree of reliability of the audit as a result of the audit of the company, proceeding from the essence of the audit. When calculating it is $100\% - 8,61\% = 91,39\%$.

The Audit Risk Assessment model is used to effectively utilize its available resources by analyzing the risks associated with all potentially possible auditing activities.

In our opinion, the Audit Risk model in the stockadorlik society is based on 6 factors:

One of them. Results of an external audit of the past period.

Two. Exposure to natural risks.

The three. Control environment.

The four. Shareadorlik the level of trust in the society and its divisions that leadership is effective.

The five. Aktsiy changes in the composition of the company and the table of states, as well as the configuration of user systems.

The six. The complexity of auditing.

5. Conclusion/Recommendations

Conclusion we can say that the formation of the market of audit services in Uzbekistan has its own characteristics. Due to this, appropriate recommendations should be developed based on our own characteristics in accordance with the requirements of international audit standards for its improvement. For the effective functioning of audit organizations, it is necessary to formulate their internal and external working standards (rules). But such a procedure has not yet been developed. Due to this, recommendations on internal and external standards of auditing organizations, auditing in the Societies of the stock companies were developed and scientifically justified.

Aktsiy in our opinion, it is appropriate to use one of the following three approaches in order to assess the risk of control instruments, based on the opinion of the auditor as a professional in the examination of the financial results of the activities of companies:

1). *Conduct a compliance check*. It is necessary to conduct an audit on compliance and determine the level of risk of control instruments on the basis of the data obtained;

2). *Management costs that serve as a source of revenue* or an obligation on operational costs, that is, an assessment of the means of control over the period costs (an assessment of the risk of control over basic operations).

It should be noted that such an approach can also be used in relation to other items of expenditure (payment of labor, maintenance costs of fixed assets, depreciation deductions, paid taxes, etc.). In this case, it is necessary to conduct audit procedures to check the means of control, and then, on the basis of the result obtained as a result of the risk of control, to specify the objects to be audited in the audit competition and to conduct an audit on the significance.

In a number of cases (for example, checking the credit interest accruals from the bank), a check on compliance and importance can be conducted at once. It is worth noting that in the event that the risk of control is found to be fundamentally low, the auditor can refuse to investigate on the importance and fully rely on the effectiveness of the system of internal control of the client.

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