

## Issues of Assessing the Reliability of the Evidence in the Formation of the Database of Verifications

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**Annotation:** The scientific article provides the analytical information used in audit, the quality of audit organization's data and the financial position of the audited entity, as well as the conclusions, scientific recommendations on auditors' data processing.

**Key words:** joint-stock company, organizations of audit, audit activity, auditor evidence, analytical activities, selection of audit.

### INTRODUCTION

One of the important issues for investors in the world in the post-crisis period is the use of reliable and truthful information. In this regard, the financial statements of companies and firms, especially information with positive audit reports verified by an external audit organization, are important. At the same time, attention to audit reports is increasing. Because the issues of the client's activities, his assessment and forecasting of his future activities are of paramount importance. In this regard, the problem of audit proved to be a set of priorities. In the context of Uzbekistan's integration into the world community, the issue of reliability and truthfulness of financial statements is very important. At the same time, the key issue is how the collection of audit evidence obtained by the auditor in order to confirm the reliability of financial statements affects the assessment of the auditor's report and audit statements.

Audit evidence - information collected by the audit organization during the audit and substantiating the audit report [1].

Doctor of Economic Sciences, Professor R.D.Dusmuratov expressed the following opinion: "Evidence is understood as a fact that confirms or refutes the existence of another fact, or the process of obtaining information about a known fact, which allows one to form an opinion about this fact with varying degrees of certainty" [2].

Economist-scientist A.D. Sheremet gave the following definition of audit evidence: "Audit evidence is information obtained by the auditor during the audit, which, as a result of the analysis of this information, forms the basis for organizing the auditor's opinion" [3].

Economists-scientists S.M.Bychkova and E.Yu. Itygilova expressed the following opinion: "It is important that the audit evidence is sufficient and reliable. Because the extent to which these indicators accumulate also affects the audit plan and the amount of audits" [4].

On this issue, P. Kamyshanov adheres to a different approach and expressed the following opinion: "As a result of audit control, reliable information should be obtained on the actual state of the business at various levels of management, on the fulfillment of obligations to financial organizations, on taxes, extra-budgetary payments, on

the effective use of budgetary funds. Thus, each business entity, bank, individuals who enter into a relationship with the organization are working to have reliable information about its activities” [5].

In the Republic of Uzbekistan, in order to improve the quality of the audit report and the complete collection of audit evidence, much attention is paid to audit practice, including the methodology for collecting audit evidence. In particular, in order to increase the responsibility of audit organizations, their authorized capital has been increased and compulsory audit liability insurance has been introduced.

### Main part

The main issue in the audit process is the collection and processing of information necessary for the audit. In this regard, the most important issue is audit information, audit evidence and its collection. On this issue, economists expressed the following opinion: “Audit evidence must be relevant and sufficient. The relevance of evidence is its value for solving a particular problem, and the adequacy is determined in each case based on an assessment of audit risk and internal control system. In any case, the auditor must be fully confident that a sufficient amount of evidence of the required quality has been collected to draw up an objective and reasonable opinion” [6].

In addition, practical work was carried out on the division of audit evidence into groups, including evidence collected during audits, which are classified by type, source and method of obtaining.

By type, audit evidence is divided into written and oral.

Written evidence (documents and written explanations) may be more reliable than oral evidence. But in some cases oral evidence can be much more important and useful.

Audit evidence by source can be divided into internal, external and mixed evidence. Internal audit evidence consists of information received from an economic entity in written or oral form.

External audit evidence consists of information obtained from a third party in writing (usually at the written request of the audit firm).

Mixed audit evidence includes information obtained in writing or orally from an entity and confirmed in writing by a third party.

Audit evidence is classified by method of obtaining as follows:

- A. evidence obtained in support of the facts;
- B. evidence obtained by establishing documented facts;
- C. facts revealed as a result of a specially conducted analysis [7].

In this regard, in Russia, a special audit standard, namely the Federal Standard of the Russian Federation No. 5-“Audit Evidence”, establishes requirements for audit evidence: “Any information is used as audit evidence, including information necessary for the auditor to express his opinion on reliability of accounting and financial reporting indicators” [8].

Relevant evidence is collected by audit firms and auditors to express a reasonable opinion of the auditor and serve as the basis for the expression of the auditor's opinion.

The largest number of documents compiled by the auditor during the audit are:

- the form of documents drawn up during the audit process is determined by the internal standards of the firm in each audit firm;

- results of studying and evaluating the accounting system, questions on various sections of accounting, drawn up by the customer's accounting staff, workflow schedule, distribution of job responsibilities in accounting, methods of assessment and calculation used;
- results of studying and evaluating the internal control system (client's answers to questions on various objects and areas of internal control by accounting and management personnel);
- description of the client's taxation specifics (list of taxes paid by the client; list of taxes payable by the client) and grounds for granting benefits;
- features of the calculation of the taxable base for individual taxes;
- analysis of account balances;
- results of verification of compliance of contracts concluded by clients with the current legislation;
- calculations of the most important financial and economic indicators of the enterprise;
- analysis of the financial condition of the enterprise;
- a schedule for the performance of audit activities by each auditor and his assistant involved in the audit;
- description of the nature, timing and scope of the performed audit activities for the performers involved in the audit;
- formalization of the results of the audit activities of the auditor and his assistant, participating in the audit, for compliance with the internal standards of the company;
- a copy of the auditors' negotiations with experts, specialists and consultants.

Audit evidence is detailed in International Standards. In the international auditing standards - AHS (International standards of Auditing - ISAS), a special section V - "Audit evidence" (500-599) is singled out as an object of standardization. This section includes 9 standards.

**Table 1. International Standards for the Gathering of Audit Evidence**

International Auditing Standards
ISA No. 500 - "Audit Evidence".
ISA No. 510 - "Initial Agreements - Opening Balances"
ISA 580 - Written Representations.
ISA No. 520 Analytical Procedures
ISA No. 530 - Auditor's Choice
ISA No. 540 - "Estimates, including estimates calculated at cost, and related disclosures"
ISA 550 - "Related Parties"
ISA 570 - Going Concern

These standards define the degree of sufficiency of evidence that can be obtained in the international practice of auditing, and the requirements for their collection.

The requirements for the international auditing standards in Uzbekistan to the quantitative and qualitative indicators of audit evidence, as well as to the actions taken to obtain them, are defined in ISA No. 500 - "Audit Evidence". The requirements of this standard are mandatory for the application of all audit firms when conducting audits.

The issue of audit evidence is defined in ISA 500, Audit Evidence, as follows: Audit evidence is information used by the auditor to reach the conclusions that form the basis of the auditor's report. Audit evidence consists of accounting records and other information that is the basis for financial reporting [9]. When obtaining audit evidence, primary documents and accounting records are used, which are the basis of financial statements, as well as confirming information obtained from other sources. Audit evidence must be sufficient and reliable. Therefore, according to this standard, audit evidence must be sufficient to provide an audit opinion and reasonable for a conclusion.

We believe that the audit firm, in the process of gathering audit evidence, should focus on the following factors:

- assessment of the accounting process, financial reporting of the joint-stock company and the nature of the internal audit and internal control system established in the company, as well as the independence of internal audit and assessment of control risk;
- the volume of audit operations and audit work performed by the audit organization;
- source of audit evidence information and evidence of its reliability.
- The adequacy of audit evidence is a qualitative measure of audit evidence, which refers to the significance and reliability of audit evidence in expressing an opinion by the audit firm.
- In order for the firm to obtain sufficient and appropriate audit evidence, consideration should be given to the following factors:
  - the nature of the entity's accounting and internal control system, as well as the risk assessment of integrity and control;
  - the scope of work performed by the audit organization;
  - source and reliability (accuracy) of the information available.

Audit evidence is considered reliable if it is supported by documents and the actual state of assets, equity and liabilities.

When evaluating the reliability of audit evidence of an audit organization, it is necessary to be guided by the following general rules (Fig. 1):

а) аудиторские доказательства, полученные из внешних источников (например, подтверждение, полученное от третьей стороны), как правило, более надежны, нежели доказательства, полученные из внутренних источников;

б) аудиторские доказательства, полученные из внутренних источников, достоверны, если существующие системы бухгалтерского учета и внутреннего контроля являются эффективными;

в) аудиторские доказательства, собранные непосредственно аудиторской организацией, являются, как правило, более достоверными, чем аудиторские доказательства, полученные от хозяйствующего субъекта;

г) аудиторские доказательства, полученные в письменной форме, являются более достоверными, чем аудиторские доказательства, полученные в устной форме.

**Figure 1. Reliability of Audit Evidence.**

Source: Author's development based on ISA No. 500 - "Audit Evidence".

If the audit organization has not received sufficient evidence to express an opinion on the financial statements, then it should refuse to issue an auditor's report.

Audit evidence can be obtained by examining the entity's internal control system and performing substantive audit activities.

Tests of the internal control system are the actions performed by the audit organization in order to obtain audit evidence for assessing the state of accounting and the internal control system of an economic entity.

The main aspects of the entity's accounting and internal control systems for which audit evidence should be obtained are:

- structure (do the accounting and internal control systems have an appropriate structure to prevent or detect and correct misstatements);
- operation (whether the accounting and internal control systems are operating effectively).

At its core, verification activities are actions performed by an audit organization in order to obtain audit evidence to establish the presence or absence of errors in the financial statements.

When performing verification actions on the merits, the following questions are examined:

- availability of liabilities and assets at the end of the reporting period;
- full reflection of assets, liabilities, business transactions and events in the financial statements;
- reflection of assets and liabilities in appropriate values;
- reflection in the financial statements of the exact amounts of business transactions and events;
- reflection of income and expenses in the respective periods.

### **Conclusion**

In conclusion, we can say that audit evidence is information about the organization of accounting, primary accounting and generalizing information that is the basis for expressing an audit opinion, information and account balances that are the basis for the preparation of financial statements, business plan information, information from external information sources and information not related to accounting. This information should serve as a sufficient basis for expressing the auditor's opinion, because on the basis of these facts we can make a positive or negative opinion.

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