
Main Aspects of Income and Expenses Audit in the Banks of Uzbekistan

Rasulov Murodzhon Shavkatovich

*2nd year master's student at the Banking and Finance Academy of the Republic of Uzbekistan
Scientific specialty: 70411302 – Master of business administration specialty "Banking"*

Abstract: The article examines the methods and stages of conducting an audit of the income and expenses of a commercial bank. For effective management of a bank's activities, the correct formation of income and expenses is very important - the main factor in determining the profit of banks. Detailed planning of an audit of income and expenses, as well as the correct preparation of an audit program based on the activities of a credit organization will make it possible to confirm the reliability and correctness of the reflection of income and expenses in accounting.

Key words: audit, income and expenses of a commercial bank, audit plan, audit program, financial statements, accounting.

INTRODUCTION

Financial control, along with planning, regulation, accounting and economic analysis, is the most important management function. Its purpose is to ensure compliance with legislation in the process of formation and use of financial resources at all stages of the financial and economic activities of commercial banks. In the practice of auditing and regulatory documents regulating auditing activities in credit institutions, two types of audits are distinguished, which are fundamentally different from each other - these are external and internal audits.

The correct formation of income and expenses - the main factor in determining bank profits - is important for the effective management of bank activities. The last, in turn, serves as an assessment indicator of the bank's activities.

In accordance with the Law of the Republic of Uzbekistan "On Auditing Activities", the main objectives of the audit are to establish the reliability and compliance of the audited financial statements and related financial information with accounting legislation.

Reliability is understood as the degree of accuracy of financial reporting data, which allows, on the basis of these statements, to draw objective conclusions about the financial position and results of the financial and economic activities of an economic entity.

MATERIALS AND METHODS

According to Professor K.B. Akhmedzhanov, the main objectives of an audit of a bank's income and expenses are: financial statements are fully prepared in accordance with IFRS, that there are no significant deviations from these standards, that assets, liabilities, income and expenses reflect correct information.

Information sources when conducting an audit of a bank's income and expenses are: accounting data, constituent documents, minutes of meetings of founders, internal regulations on the distribution of bank profits, balance sheets, including financial statements, business plan, contracts, certificates of work performed, expenses and incoming primary documents confirming the facts of expenses and receipt of income, cash and settlement documents indicating payment and receipt of funds.

The main stages of an audit can be divided into 4 stages:

- preliminary planning;
- drawing up a general audit plan and audit program;
- implementation of the general audit plan and audit program, that is, conducting an audit;
- summarizing the audit results and preparing the audit report.

During the preliminary planning of an audit of a bank’s income and expenses in accordance with the “Audit Planning” rule, the features of the activities of the audited bank, its accounting policies and internal documents are studied. Internal audit inspection plans provide for direct inspection of branches, branches, and individual divisions of banks. Inspection programs must necessarily contain the period for conducting the audit, the formation of the audit report and conclusion, as well as a specific list of banking operations subject to inspection and auditing standards as a system of norms and standards governing the activities of the bank. Inspection materials and audit reports are subject to discussion with the structural unit being inspected and the Board of the bank, and specific decisions must be made on them.

The main sections of audit check programs can be the following sections:

- confirmation of the reliability and correctness of the reflection of assets in accounting and reporting;
- checking the correctness of reflection of securities in accounting and reporting;
- confirmation of the reliability and correctness of the reflection in accounting and reporting of funds, accounts and deposits in banks and other credit institutions, customer deposits and other transactions;
- legality and reliability of reflection in accounting and reporting of credit and settlement transactions;
- correctness and legality of cash transactions;
- compliance with the rules for conducting currency transactions;
- checking the completeness, correctness and reliability of the reflection in the accounting of income and expenses.

Methods for determining control risk and audit procedures that can be used when conducting an audit of a bank are presented in *table 1*.

Index	Method for Determining Control Risk	Audit procedures
Interest income	For basic operations	Analytical procedures
Commission income	For basic operations	Analytical procedures
Other bank income	Testing of controls	Detailed tests, balance (turnovers)
Other operating income	Testing of controls	Detailed tests, balance (turnovers)
Contributions to reserves	For basic operations	Analytical procedures
Windfall income	Testing of controls	Detailed tests, balance (turnovers)
Income tax	Testing of controls	Detailed tests, balance (turnovers)

Table 1. *Methods for determining control risk and audit procedures applied when checking bank income and expenses*

RESULTS AND DISCUSSION

The sequence of an audit of the correctness of the formation of expenses and income in the bank as a whole will be in the following order:

- 1) studying the client’s internal control system for the purpose of planning an audit;
- 2) assessment of control risk and development of additional control tests;
- 3) carrying out additional control tests;
- 4) reassessment of control risk and development of justification tests;
- 5) conducting background checks and completing the audit;
- 6) formation of professional judgment on financial statements and preparation of the auditor's report.

The following types of **audit reports** are distinguished:

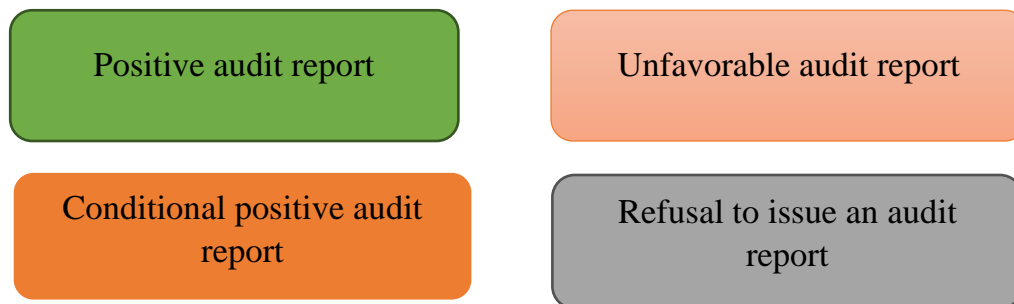


Figure 2. Types of audit reports.

The basis for issuing a conditionally positive audit report is possible if the following shortcomings and errors are identified in the accounting of income and expenses of the bank:

- the presence of some disagreements between the auditor and the bank’s management when reflecting certain transactions and elements of the financial statements;
- inaccuracies in the method of accounting for certain items of income or expense accounting, the method of calculating and accounting for depreciation;
- errors in correspondence of some transactions;
- The accounting policies present some approaches that negatively affect the quality of financial reporting.

Various analytical tables compiled by the auditor for analysis in accordance with the “Working Documents” rule are placed in the auditor’s documents. Conclusions made on the basis of the tables, according to the “Audit Report” rule, serve as material for the auditor’s report.

CONCLUSION

The main objectives of an audit of a bank's income and expenses are: that the financial statements are fully prepared in accordance with IFRS, that there are no significant deviations from these standards, that assets, liabilities, income and expenses reflect correct information. To accomplish this task, careful preparation of the audit plan and program is necessary. As a result, shareholders and the Management Board receive a reliable and correct audit report, on the basis of which strategic decisions are made.

References:

1. Law of the Republic of Uzbekistan dated 25. 0 2.20 21 No. ZRU - 677 “On auditing activities” [Electronic resource]. URL : <https://xs.uz/ru/post/ob-auditorskoj-deyatelnosti/> (date of access: 26.0 2.20 21)

2. Akhmedzhanov K. Sattorov A. Introduction to auditing: Textbook . – Tashkent: “Publishing and printing house Innovation Rivojlanish”, 2021.- 448 p.
3. Abdullaev R. Accounting and audit: Textbook. - Tashkent: Publishing house “Iqtisod Moliya”, 2010. - 438 p.
4. Tikhomirov E.V. Bank audit: Textbook. - St. Petersburg: Publishing house of St. Petersburg State University of Economics and Economics, 2013. - 66 p.