
DIRECTIONS IMPROVING THE AUDIT OF INVENTORIES

M.Xayitboev

TSUE, associate professor of "Audit" department

Sherimbetov Inomjon Xalilullaevich

TSUE, senior teacher of the "Audit" department

Abstract: This article describes the nature of inventories and their audit. In the article, the directions of organization of inventory audit based on international standards are defined. The author has developed the stages of inventory audit, and the actions performed by the auditor in these stages have been mentioned.

Key words: inventory, audit, international standards of auditing, fraud, materiality, audit risk, overall audit plan, audit program.

INTRODUCTION

In increasing the competitiveness of the economy in the world market, the main focus is on the rational use of raw materials and resources, saving unproductive costs and reducing the cost of products. In the conditions of modernization of the economy, it will be necessary for any economic entity to properly organize the accounting and audit of its inventory and increase the efficiency of their use.

By effectively organizing the inventory audit, it is possible to reduce the cost of products, increase the amount of profit, and improve the indicators of financial stability in economic entities. Therefore, it is important to improve the inventory audit methodology based on international standards.

ANALYSIS OF LITERATURE ON THE SUBJECT

Many economists have dealt with the issues of inventory audit.

According to a group of economists, inventory is an important part of cost items and has a significant impact on financial results. Therefore, it is advisable to use advanced auditing methods to obtain reliable information about reserves in the accounting balance [7].

According to Romanian economist Cristina Iovu, inventories will have a large weight on the balance sheet. Therefore, inventory audit is a complex process, and precisely because transactions related to inventory are prone to fraud, audits should focus on determining the physical condition of inventory [5].

A group of US economists stated that many methods are used in inventory audit. However, the most effective method in inventory audit is inventory, and this process should be carried out directly with the auditor's participation [1].

According to Chinese economists X. Wei, X. Wang and Yu. Yang, inventory is the most important component of current assets and is the main factor in determining the auditor's fee as the main object of audits [9].

But in the works of the above-mentioned scientists, much attention is not paid to the methodological aspects of the organization of inventory audit.

RESEARCH METHODOLOGY

Methods such as observation, generalization, grouping, comparison, induction, deduction were used in the research work .

ANALYSIS AND RESULTS

An inventory audit begins with the planning process. Inventory audit planning allows you to identify important areas of audit. A conceptual approach to conducting an audit allows you to choose the main approaches and sequence of steps for conducting an inventory audit .

In our opinion, the most important stages of inventory audit are:

- Audit planning.
- of the internal control system (INT).
- audit plan and program.
- Performing audits.
- Formalization of results.

the audit of operations with inventory includes the development of a general plan and an audit program. During the planning and implementation of the audit, the auditor should not state that the management of the audited enterprise is questionable, but should not consider that the management is not completely honest.

Audits are usually time-limited. Therefore, to give a positive result, it is necessary to prepare well for it. Proper preparation is an important means of ensuring that adequate, effective and efficient audit techniques are used.

After completing all the steps of the preliminary planning stage, the auditor should develop an audit plan and program. The stages of inventory audit planning are presented in Figure 1.

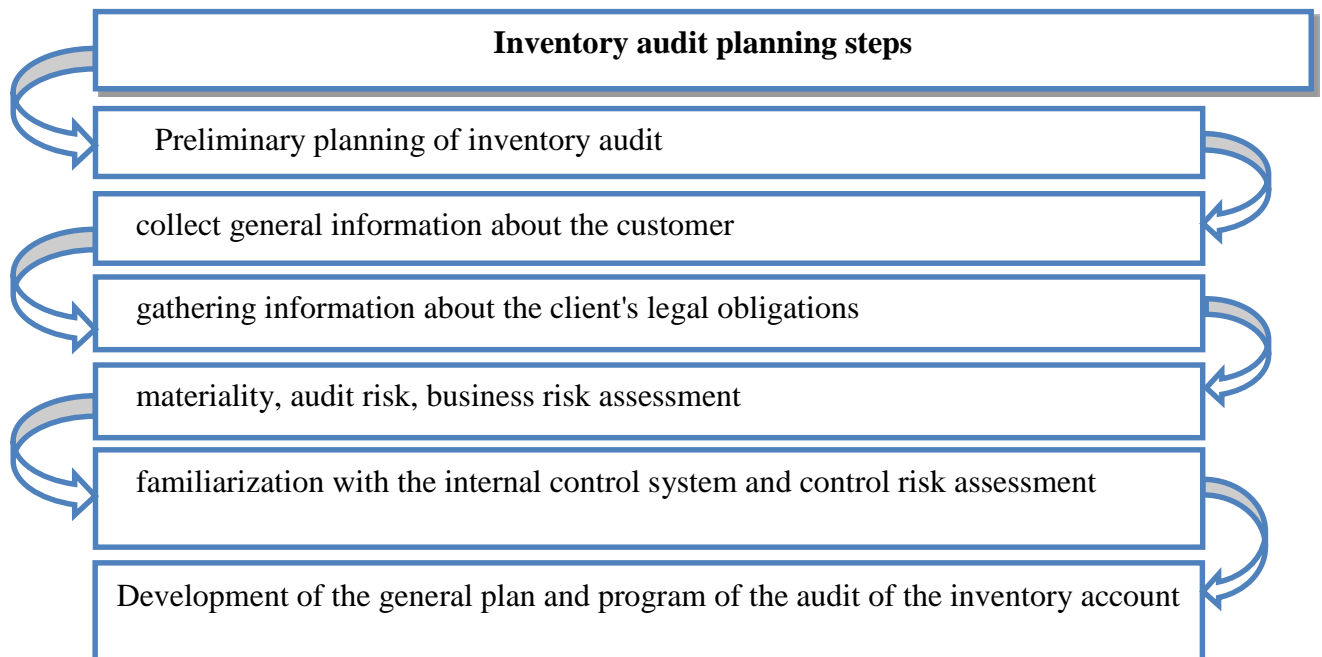


Figure 1. Inventory audit planning steps¹

¹ Compiled by the author

International audit standards should be widely used when outsourcing audits. Economist A. Avlokulov believes that the use of international standards of auditing serves to increase the quality of auditing and to apply a uniform approach among different countries [2].

At the planning stage, auditors calculate the level of materiality in accordance with AIS No. 320, "Materiality in Planning and Performing Audits".

At this point, let's consider the approaches of economists to the concept of "importance". Professor S.M. According to Bychkova, the concept of "significance" is important in auditing, because the degree of significance determines the size of errors or omissions, as well as the scope of the audit and the form of the audit report [2]. In turn, Professor V.I. Podolsky notes that the auditor independently calculates the probable level of materiality based on his professional opinion [3].

According to T.M.Rogulenko and S.V.Ponomareva, from the point of view of quality, the auditor should decide whether the deviations he found in the audited enterprise's compliance with the current legislation are considered significant [6].

The auditor's ability to detect material errors depends on the following factors: compliance with the requirements of the accepted accounting policy and accounting policy rules and the degree of departure from them, as well as assessment of the probability of the existence of material errors identified by internal and external auditors; limitations on inspection time and cost; the auditor's professionalism, etc.

Planning is the development of an audit program that includes the nature, timing, and scope of audit activities necessary to complete the overall audit plan. The program is used by heads of audit teams to train assistant auditors.

In addition, it is worth noting that the working documents created during the preparation of the audit plan for the verification of financial statements are an important part of the audit documents. Figure 2 analyzes and summarizes the tasks to be solved by the auditor in the preparation of the inventory audit plan and program.

Based on the tasks of inventory audit, it is necessary to create and change the audit plan. The overall audit plan should be detailed enough to guide the development of the audit program. It reflects the strategy for conducting an inventory audit. The audit program covers the planned activities, the time frame and the persons responsible for conducting the audit. The audit program may also include the preparation of financial statements for each audit object, planned deadlines for different areas or audit activities.

Thus, when creating an audit plan at the planning stage, auditors should consider the following: types of activities of the organization; risk and significance; scope of audit activities; the importance of inventory transactions; impact of computer data processing on stocks; the existence of internal audit and its duties on reserves; deadlines for submitting an audit report.

Next, auditors should evaluate the accounting and internal control systems adopted by the audit organization to determine the possibility of errors affecting the transparency of its financial statements. On the basis of such an assessment, the content and scope of the internal control system (INT) test, as well as the audit process, are determined.

a set of organizational measures, methods and actions used by the management of the audited enterprise as a means of regularly and efficiently performing financial and economic activities, preserving assets, identifying, correcting and preventing errors and distorting information, as well as disseminating information in a timely manner, as well as, refers to the verification of the preparation of quality financial statements.

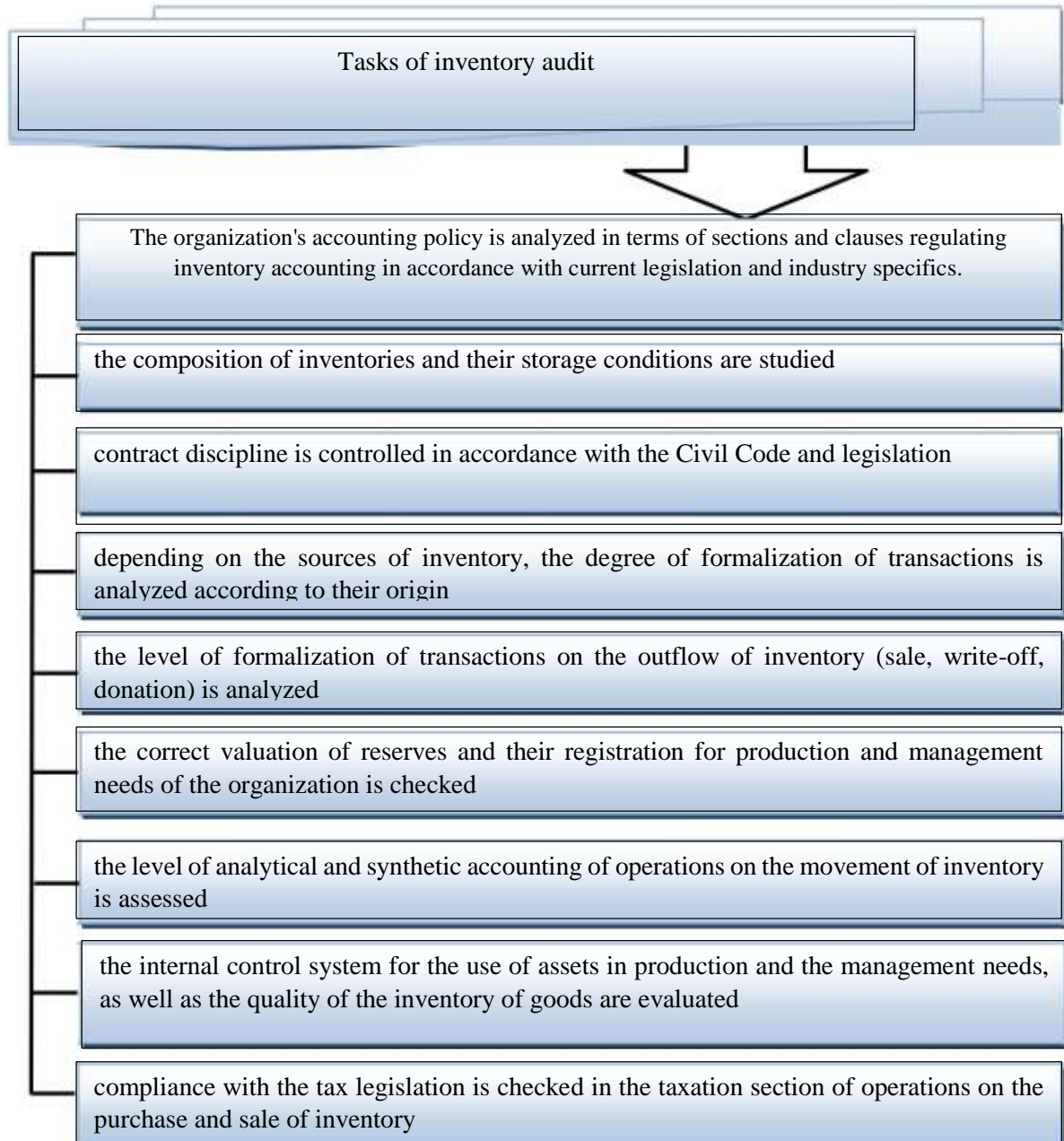


Figure 2. Tasks of the audit of ²inventory accounts

The organization of internal control may depend, first of all, on the type of economic activity of the organization, at the same time it is related to other types of control - audit, tax, currency control. Internal control, unlike other types of control, should be present in every organization and should be applied continuously.

Various methods are used to obtain audit evidence for inventory accounting. During the inspection, the collection of audit evidence is carried out according to the criteria presented in Figure 3.

Audit evidence – Forms an opinion based on information obtained from various sources and various methods.

² Compiled by the author

Auditing is the methods of obtaining evidence - audit operations, which include: inspection, observation, formal inquiry, recalculation, analytical operations, external confirmation and re-examination [8].

Audit operations are used at the initial stage of the audit to understand the characteristics of the organization, to determine the financial operations associated with this activity and some significant risks. In the case of an audit, in essence, audit actions allow to determine the reasons for significant changes in the level of the indicators under investigation. Modern audit organizations have different ways and methods at their disposal while performing audit activities, and apply them depending on the complex situation that arises during the audit.

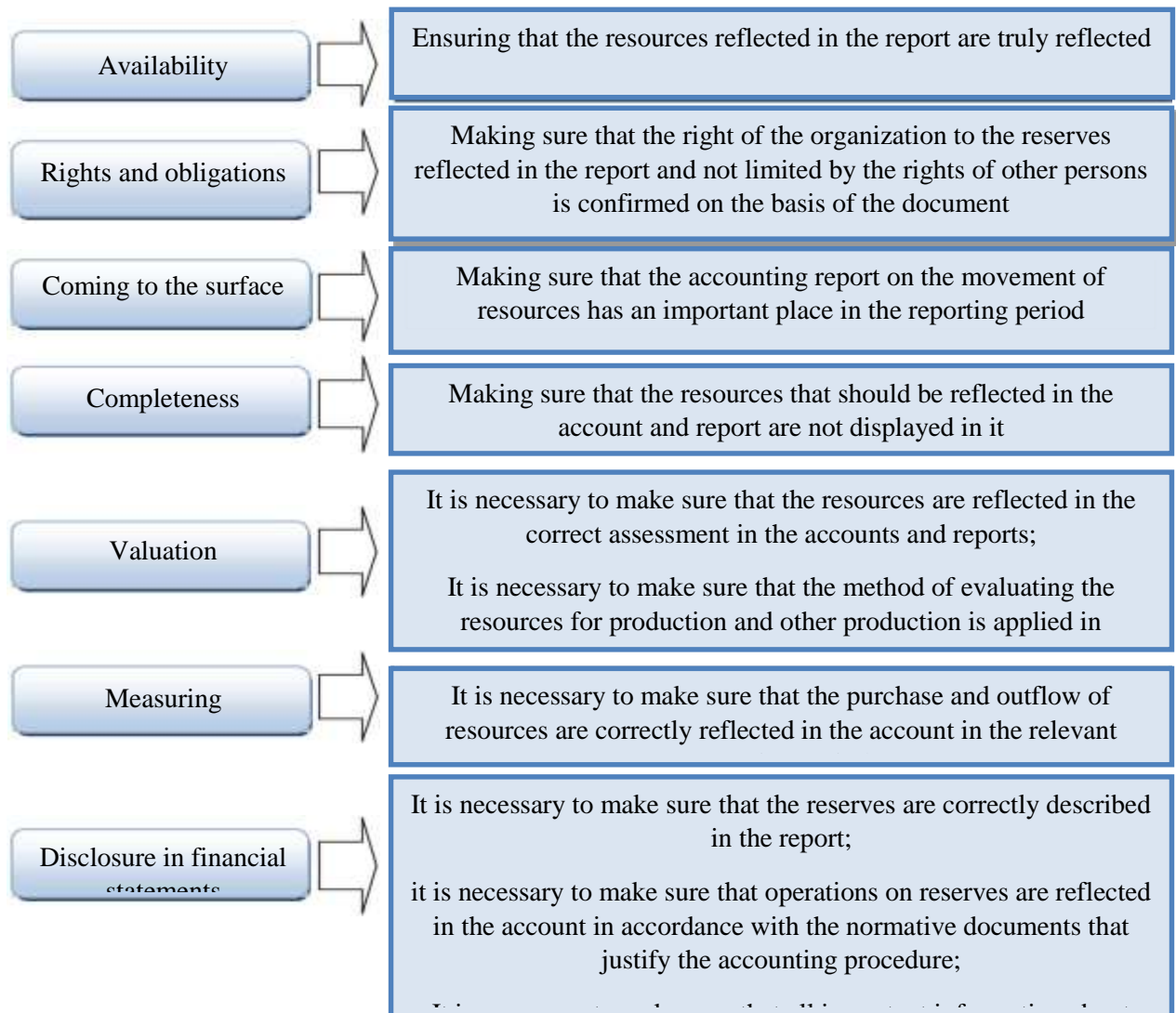


Figure 3. Criteria for evaluating audit evidence³

Allows the audit to be conducted as quickly and efficiently as possible . In our opinion, one of the most important methods of auditing is inventory.

When carrying out an inventory, it is necessary to: monitor accounts; fill out and discuss the check sheet (sample); confirmation of the presence of all members of the inventory commission; determining how inventory is carried out: actual counting, weighing, measuring and taking instrument readings; care must be taken to ensure adequate control over stock movement during

³ Compiled by the author .

inventory. During the inventory process, the auditor can apply one or more actions, regardless of whether a single business transaction or a group of them is being audited.

During an audit, auditors can conduct an inventory, which helps them accurately assess the reliability of the account and the effectiveness of the internal control system. If the audit organization fully controls the reliability of the internal control system (INT) as a whole or some control tools as high, it is able to reduce the number of accounting elements checked during the audit selection to the average limit.

The effectiveness of the auditor's work depends on the selected methods of verification, as well as their adaptation in accordance with clearly defined goals and tasks. Audit methods are interrelated with methods of economic analysis. At the final stage of the audit, it is recommended to summarize the audit results.

The auditor analyzes the identified errors, deficiencies and violations in accordance with the requirements of AIS No. 320 entitled "Importance in planning and implementation of the audit". Based on the audit materials, a report is prepared for the management of the audited enterprise and the audit report. Mistakes are an important part of the auditor's conclusions on the results of the audit, but it is necessary to ensure their reasonableness.

Sources of information obtained as a result of checking the correctness of financial statements of a commercial organization serve as evidence in an audit. Errors, inaccuracies and incorrect information discovered during the inspection should be systematized according to their importance and importance. In this case, the quality of the audit mainly depends on the number and content of the audit procedures used during the audit.

Thus, we detailed the main stages of the audit, which are recommended to be used in the audit of inventories (Table 1).

Table 1

The main stages of conducting an inventory audit⁴

Stage	The essence of the stage
1. Planning	According to AIS No. 300 "Audit Planning", the audit organization must plan its work for the effective organization of the audit. When planning an audit, the volume of audit operations and their duration, a detailed approach to various descriptions, and the development of a general strategy are appropriate.
2. Evaluation of the internal control system (INT).	Five elements of I NT were developed in section: management environment, risk assessment process of the subject being audited , information system, including financial reporting , control tools. monitoring
3. Auditor selection	The selection is made in accordance with the requirements of AIS No. 530 entitled "Selection of auditors". In this case, certification should be used to divide the sum of operations under investigation into small sums.
4. Audit evidence, types and methods of obtaining them	Conducting an audit The title "Audit evidence" refers to the process of collecting and evaluating audit evidence in ISA 500. Conducting an audit involves the process of gathering and evaluating audit evidence. The auditor gathers evidence by performing audit procedures.

⁴ Compiled by the author

5. Summarizing the results of the inspection on a specific section and preparing information for the formation of the final document	<p>According to the results of audit activities, it is necessary to identify errors, analyze their consequences, confirm the reliability of the work performed.</p> <p>The audit report on the results of the inspection should be prepared in accordance with the following:</p> <p>AIS No. 700 Forming an opinion and issuing a report (summary) on financial statements</p> <p>Modification of opinion in AIS No. 705 Independent auditor's report (summary).</p> <p>Explanatory paragraphs and other issue paragraphs in AIS No. 706 Independent auditor's report (summary)</p> <p>AIS No. 710 Comparative information - comparative indicators and comparative financial statements</p> <p>AIS No. 720 Responsibility of the auditor in relation to other information in the documents covering the audited financial statements during the audit</p>
--	--

Thus, this approach to the organization and conduct of the inventory audit allows a deeper understanding of the nature of the proposed stages and methods of the audit, which creates conditions for the improvement of audit services. Compliance with the consistency of conducting audit stages in economic entities allows to improve the quality of audit inspections.

CONCLUSION

1. The conducted studies show that the inventory has a large weight in the assets of economic entities in economic sectors. It is known from world practice that operations related to inventory are prone to fraud. For this reason, it is necessary to pay serious attention to the auditor's inspections during the process of importing, storing and spending of goods and materials.

2. When organizing effective use of inventory and its control, it is necessary to pay close attention to international audit standards. By applying international auditing standards, inventory fraud can be prevented and audit risk can be reduced.

3. As a result of research, five stages of inventory audit were developed. At these stages, the international standards of the audit used in conducting the inventory audit were mentioned. The auditor's full implementation of the measures specified in the inventory audit serves to increase the quality of the audit and the formation of a reliable audit conclusion.

REFERENCES:

1. Andrew Gross, Jamie Hoelscher, Brad J. Reed, Gregory E. Sierra. The new nuts and bolts of auditing: Technological innovation in inventory management. // Journal of Accounting Education. Volume 52, September 2020, 100679
2. Avlokulov A. Aligning financial results' audit with international standards in Uzbekistan: comparative and compatibility analysis. // International Journal of Economics, Commerce and Management. Vol. V, Issue 10, October 2017. Licensed under Creative Common Page 67 <http://ijecm.co.uk/wp-content/uploads/2017/10/5105.pdf>
3. Audit: uchebnik dlya studentov vuzov, obuchayushchihsya po ekonomicheskim spetsialnostyam. / Pod ed. V.I. Podolskogo. – 5-e izd., pererab. i dop. - M.: YUNITI-DANA, 2011. - S. 99.
4. Bychkova S.M. Audit: fly. posobie / pod ed. prof. Ya.V. Sokolova. - M.: Magister, 2011. - S. 75.
5. Cristina Iovu. Aspects concerning the internal audit of inventories. // Financial audit, XV, Nr. 2(146)/2017, 276-283 ISSN: 1583-5812; ISSN online: 1844-8801

6. Rogulenko T.M., Ponomareva S.V. Audit: uchebnik. - M.: KNORUS, 2010. - S. 97 .
7. Sitraselvi Chandran, Santhirasegaran Nadarajan, Zaimah Binti Abdullah Inventory Physical Count Process: A Best Practice Discourse. // International Journal of Supply Chain Management . Vol. 4, No. 3, September 2015
8. Khajimuratov N.Sh. Improvement of the audit of financial statements in joint-stock companies: 08.00.08: Doctor of philosophy (PhD) thesis on economic sciences . Tashkent Financial Institute. -T., 2018. -56 p.
9. Xi Wu , Xueqin Wang , Yulong Yang . The puzzling association between inventory and auditor pricing in China. // China Journal of Accounting Research . Volume 11, Issue 4 , December 2018, Pages 351-366.