

FEATURES OF ACCOUNTING POLICY AUDIT PLANNING

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Abstract: This article describes the features of accounting policy audit planning. As a result of the research, proposals were developed to improve the planning process of the accounting policy audit.

Key words: accounting policy, audit, international standards of audit, audit general plan, audit program, audit risk.

The quality of financial reporting information provided to external users by business entities directly depends on the accounting policy developed by these entities. Accounting policy is a document that determines the correct formation of assets, private capital, liabilities, income and expenses in financial statements based on the requirements of regulatory legal documents.

The accounting policy covers all objects of accounting and all elements of financial reporting. Therefore, an insignificant aspect of accounting policy leads to distortion of financial reporting information. This, in turn, has a negative impact on the rational decision-making of parties interested in financial reporting information.

According to US economists A. Pinello, L. Pushaver and A. Volkan, “accounting assumptions are an important part that should be reflected in the accounting policy, and special attention should be paid to this aspect in the accounting policy audit” [1].

A group of economists stated that “the accounting policy is an important document in accounting and should serve to ensure full disclosure of the financial reporting process. Therefore, it is necessary to carefully check the accounting policies in the audit of financial statements” [2].

A group of economists stated that “the auditor must review not only the financial statements but also the accounting policy during the audit. This ensures that assets and liabilities are correctly recognized and valued” [3].

M.M. Meza said that “the new generation of advanced audit reports includes the disclosure of important issues in the company's financial statements and its audit. This disclosure, first of all, must cover all elements of the accounting policy applicable in the company” [4].

According to the KPMG audit report, “it is important to distinguish between accounting policies and accounting estimates in audits, because changes in accounting policies are generally applied retrospectively, while changes in accounting are applied prospectively” [5].

Research on accounting policy audits focuses more on general aspects. However, not enough attention has been paid to the purpose, tasks, directions, information supply and planning processes of the accounting policy.

In order for the auditor to reflect his opinion truthfully and reliably, first of all, he should correctly determine the goals and tasks of the accounting policy audit.

The purpose of the accounting policy audit is to ensure the reliability of the audited business entity's financial statements, to check whether the rules of the accounting policy for all accounting objects are correctly selected and followed based on the requirements of the current regulatory legal

documents of the country, national accounting and international standards of financial reporting.

In order to achieve the purpose of the accounting policy audit, the following tasks should be determined during the audit:

verification of the development of the accounting policy for the purposes of financial, management and tax accounting in the economic entity, its existence and approval in the appropriate manner;

recognition, assessment of all elements of the accounting policy and verification of complete, accurate and correct disclosure of information about them in the financial report;

analysis of the methods and rules used in the accounting policy;

analysis of cases of changes in the accounting policy during the reporting period and clarification of their reasons;

checking the flexibility of accounting policies when changes are made to legislation.

In our opinion, it is appropriate to conduct an accounting policy audit in the following sequence: preliminary, main and final.

At the initial stage, the following documents of the economic entity are studied: charter; founding agreement; regulation on dividend policy; regulation on information policy; regulation on internal audit; order on account policy; working chart of accounts; business plan; other important documents.

At the main stage, the compatibility of the indicators of financial statements and accounting registers is checked, as well as the correctness of the organization of accounting and the formation of the accounting policy is evaluated, and other audit operations provided for in the audit program are performed. For each audit operation, the auditor prepares a working document in accordance with ISA No. 230 entitled "Audit Documentation".

The audit procedures used by the auditor during the audit essentially include the examination of audit procedures and internal control tools. The auditor checks the order on the accounting policy and reviews the entire set of accounting documents submitted. As a result of conducting the audit, various violations in the organization of accounting and the formation of accounting policies are revealed, they will be summarized at the next stage.

At the final stage, the auditor prepares a final document for the management of the business entity, as well as written information on the results of the audit, and based on them forms his opinion on the reliability of the financial report. Based on the results of the audit, an audit report is drawn up.

The initial planning stage of the accounting policy audit serves as the foundation for the overall plan and program of the audit. That is, the sources and methods of obtaining evidence in the course of the audit allow to determine the aspects that may be of high audit risk.

After the initial planning process of the audit, the overall plan of the accounting policy audit program is drawn up. If the general plan provides directions for checking the main parts of the accounting policy, the audit program reflects the directions for checking the accounting policy in a specific sequence and consistency.

When drawing up the general plan of the accounting policy audit, it is necessary to pay attention to the following (Figure 1).

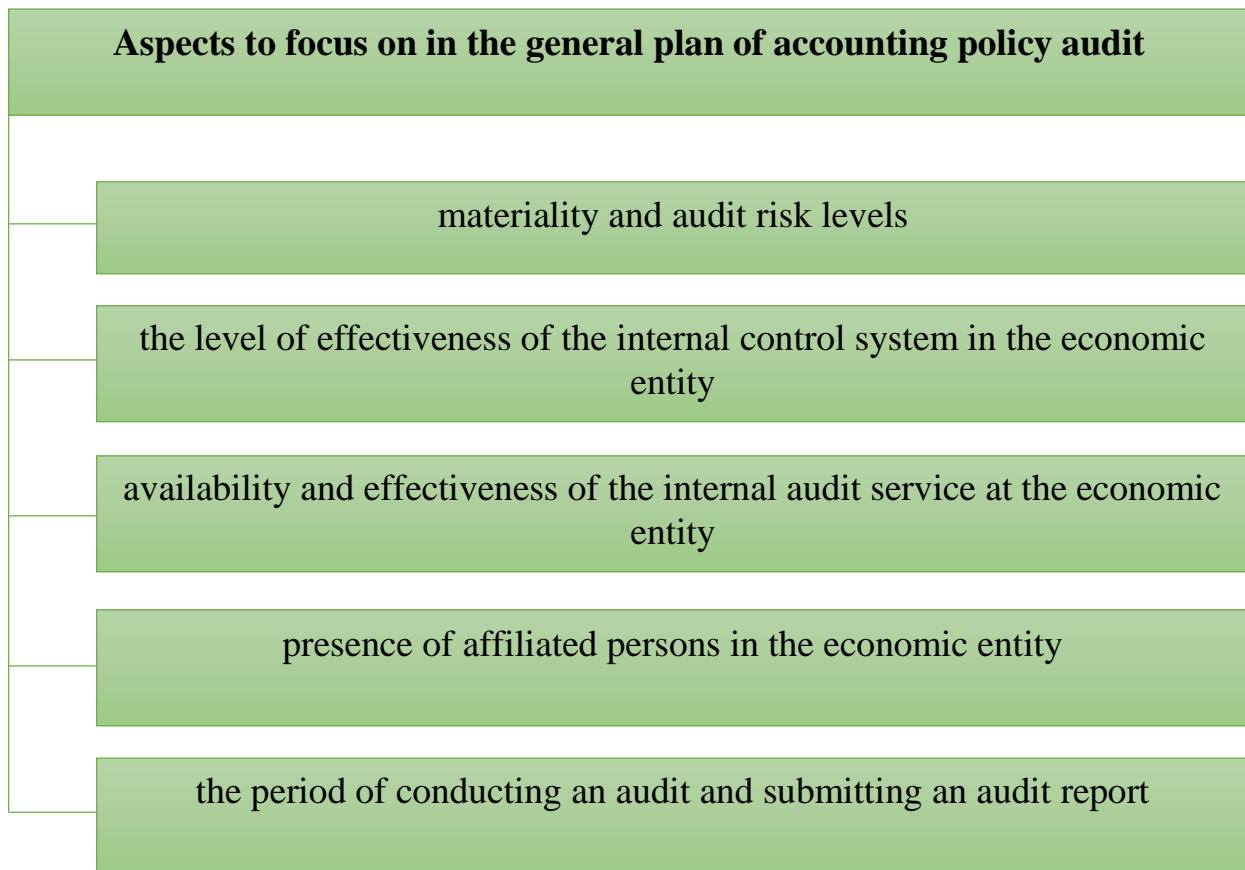


Figure 1. Aspects to focus on in the general plan of accounting policy audit¹

The audit program specifies the methods of investigation and the sources of evidence collection. This provides convenience to auditors and assistant auditors who are directly participating in the audit.

It should be noted that the right to independent choice of inspection methods by the auditing organization is specified in the regulatory legal documents related to the audit. During the inspection, it is not possible to prevent the use of inspection methods by the officials and materially responsible persons of the economic entity.

During the audit, evidence is collected from the following sources using audit methods:

founding documents of the economic entity, i.e. charter, founding agreement and minutes of the general meeting of founders;

results of audits conducted in previous reporting periods;

order on the accounting policy and its annexes;

consolidated financial statements or annual financial statements;

contracts for the sale and delivery of products, (work, services);

information of third parties who cooperated with the subject under investigation;

questionnaires received from officials and financially responsible persons of the economic entity;

data collected and processed directly by the auditor during the audit.

These documents must be collected and evaluated during the audit. This, in turn, serves to fully fulfill the tasks defined in the general plan and program of the audit and to conduct a quality audit of the accounting policy.

As a result of the conducted research, the following conclusions were reached:

¹ Made by author.

1. The accounting policy should ensure timely recording of transactions carried out by the business entity during the reporting period, preparation of documents and correct and accurate reflection in financial reports.

2. During the audit, the auditor must make sure that the accounting system reliably reflects the economic nature of the audited business entity. The scope and characteristics of the internal control system in use and its level of implementation should correspond to the size of the economic entity and the characteristics of its activity.

3. In our opinion, the auditor must independently develop the procedure for analysis and assessment of the accounting and internal control system, as well as plan audit activities based on the assessment results. The formation of the accounting policy and its implementation by the accounting department is an important area for auditing and has a significant impact on the reliability of financial statements.

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