

SCOPE OF FINANCIAL STATEMENTS AND THE PURPOSE OF ITS AUDIT**Karaev Payzillaxon Yusufxonovich**

Namangan Engineering Construction Institute Republic of Uzbekistan, Namanagan city, 12
Islam Karimov street.

This article presents the scope and purpose of financial reporting, the scope and composition of financial reporting, the tasks and purpose of financial reporting, the difference between financial reporting and other types of audits, users of financial reporting, and the publication of financial reporting.

Key words: financial statement, types of audit, foreign investor, operational audit, ratio audit, accounting audit.

Accounting as an important part of control and as a separate field of practical activity plays an important role in any socio-economic system. The accounting and statistics methodology currently in use in our Republic differs from the world experience in many ways. This hinders entrepreneurship, complicates joint activities of Uzbek and foreign enterprises, as well as audits and their implementation. There are serious problems in performing the function of evidence, that is, in the auditor's assessment of the authenticity of financial statements, in checking their correctness. If such verification is not carried out, it will be difficult and sometimes impossible to attract funds from foreign investors and intermediaries. There is a need to fundamentally restructure the current account experience, develop new forms of regular accounts, accounting, finance, balance sheets and customs reports and integrate them into a single system, and divide the information in them into groups according to international classification and rules. The economy of Uzbekistan cannot integrate into the international community without it.

The work of auditors and accountants is inextricably linked. But the auditor is a representative of a new, very important and necessary profession, which differs from the accounting profession in several ways.

Auditors need to know the "ins and outs" of accounting very well, the same aspects of which are examined very thoroughly in the certification exams. But in the West, especially in English-speaking countries, the fact that specialists who perform the main part of the audit are called "Consulting accountants" and "Certified public accountants" also increases this confusion.

In order to perform their work, accountants need to ensure that the account is supported by documents, to use accounting accounts and double-entry, to be familiar with other rules and principles that form the basis of the preparation of accounting information, and to use them in their work. At the same time, the accounting system established by relevant specialists in each economic entity should be relatively inexpensive and ensure that financial transactions and economic events are reflected in the accounts in a timely manner. Since these principles and rules are the criteria for evaluating the correct formation of accounting information, any auditor should know and understand them well.

However, there are a number of professional skills that distinguish auditors from accountants. An auditor should not limit himself to understanding the accounting system he encounters in any economic entity. In addition, he must be an expert with sufficient knowledge in gathering audit evidence. Based on the same evidence, he can confirm or reject the reliability of the accounting report, issue a recommendation to the administration of the audited economic entities.

The auditor also prepares information for decision making. Firstly, it does not get busy with daily work, but reduces the level of information risk, and secondly, it serves as an indication not only for the administration of the managed system, but also for a wide range of third parties - users of financial statements.

In addition to financial accounting, auditors must also be familiar with management accounting. Professional auditors, especially auditors working in this direction, should have the ability and opportunity to make optimal decisions in the field of financial management and the development of the economic system in general.

In Uzbekistan and the CIS countries, a great deal of experience in planning and economic work of employees has been accumulated. Despite the negative features of this work (when the essence of planning is violated), it has given good results in several cases for making management decisions. Later, with the help of auditors and qualified accountants, if this experience is changed and turned into management accounting, many economic entities will have clear prospects for the development of the economy as a whole.

First of all, this allows to increase the effectiveness of traditional accounting, because it reduces the difference between the occurrence of facts in economic activity and their reflection in the account. Then, on this basis, it will be possible to continue research, to use it widely in economic processes to optimize management. The use of modeling and other methods known from the theory and experience of economic analysis is available to experienced auditors. This work should be based on the best software and automatic development of analytical information on the computer, which will allow to solve a huge amount of tasks in a minute, before it was impossible to talk about such a task.

Therefore, there are several organizational problems that are encountered when conducting an audit of financial statements. Determining the right approach to the client, and applying its results in all reports, selecting elements that require special attention and operations whose essence should be thoroughly checked, timing checks (tests), finding the most optimal way to implement the ways of development of business systems with the help of a computer, evaluating the results and auditing choosing the most appropriate type of conclusion is one of such problems. The lack of full understanding of these differences led to the fact that expressions such as "Accounting and auditing" appeared in special literature. Undoubtedly, auditors check the state of accounting, but this is not a separate type of audit, but a separate part of the work, only checking accounting as a component of the audit.

According to the international experience, various types of audits are known in Uzbekistan at present. Elements of some of them have always existed and successfully developed in our

country, even if they are not called audit elements. Other elements and even types of audit are now developing.

Both the Law "On Auditing", the Decision of the Cabinet of Ministers "On Improving Auditing and Increasing the Importance of Auditing" and auditing standards do not fully describe the types of audits, only the types of audit activities are listed, that is, mandatory and initiative audits are mentioned. And this is not the same thing. In our opinion, it would be appropriate to list the types of services of auditors and audit organizations.

In general, some authors in special literature interpret the division of audit as internal and external audit, mandatory and voluntary audit. Based on the variety of business operations in the audited business entities in Uzbekistan, they consider the list of audit objects as audit types. As a result, expressions such as "Cash audit", "Material reserves audit", "Fixed assets audit" appeared, and phrases such as "Fixed assets purchase audit", "Fixed assets movement audit" are increasing.

In this approach, the number of audit names and types became equal to the items in the balance sheet, and the number of indicators in the balance sheets. This is completely wrong, because you should not confuse the types and objects of audit with the types of audit activity. Based on the experience gained, it can be said that currently audit organizations in our Republic usually perform the following types of services (or some of them):

- auditing of accounting reports of enterprises and organizations with different forms of ownership (compulsory and initiative audit);
- Additional services: (express analysis; visual inspection; analysis of economic and financial activities; related to finance, tax, banking issues and other economic laws; providing advice on foreign economic activities; preparation of accounting for activities agreed with the client, verification of maintenance and restoration, preparation of accounting reports, verification of emission prospectuses, etc.);
- automation of accounting and analytical work;
- assistance in privatization;
- optimization of tax planning and taxation; - drawing up business plans and their technical and economic justification;
- translation of foreign literature, reproduction of copies of current economic laws, publication of own training manuals on audit, accounting and analysis;
- provision of other services in the field of auditing activities (editing and publishing works, distribution of normative, spravochnik and methodological literature, etc.);
- assessment of assets and liabilities of an economic entity, assessment of investment projects and assessment of their technical and economic basis;
- making income declarations;
- marketing research of the market;
- legal services: development of founding documents and their registration, liquidation of enterprises;
- educational and consulting services, personnel training (training in the field of activity, as well as the basics of accounting), etc. Until 1996, most of the auditing organizations in

Uzbekistan provided services to their clients in areas not directly related to their direction, considering the capabilities of their employees and the needs of maintaining the organization's activities. These types of services may be unexpected, or tracking foreign tourist groups, providing trust services or trade-shopping services, etc.

The types of services we listed above are not complete. However, the new version of the Law also introduced certain restrictions. Those who provided professional services provided for in Article 17 of the Law to the economic entity during the period covered by the audit, they are as follows:

- establishing, restoring and maintaining accounting; - drawing up a financial report;
- transfer of national financial reporting to international accounting standards;
- finance of business entities
- analysis of economic activity;
- consulting service on accounting, taxation, planning, management and other issues of financial activities;
- they do not have the right to give the information obtained during the audit to third parties for use in business activities. According to the Law in force in our country, "The main purpose of the audit activity is to determine the accuracy of the accounting (financial) reports of economic entities and to what extent the financial and economic operations carried out by them are similar to the regulatory documents in force in the Republic of Uzbekistan." This definition and objectives of auditors have been discussed many times in specialized literature. Some consider them to be incomplete, while others consider them inconsistent, saying that there are important flaws in this definition. The definition of this main task in the law also comes from the nature of the audit and consists in determining the correctness of the accounting (financial) reports of economic entities. However, the Law contains an important Addendum: the auditor confirms the correctness of this report in all important respects. Therefore, when creating the Law, they took into account that the complete elimination of information risk is not the goal of the audit, it cannot be the main goal.

An appendix on audit highlights is of great importance. Because the civilized market defines the main task of the audit a little differently. Both theoretically and practically audit:

- a) the process of protecting the interests of owners;
- b) It is very important to consider the process of reducing information risk as much as possible. Auditing is the process of reducing information risk to a certain extent in the reports that various economic entities publish for other users.

Therefore, the information risk cannot be completely eliminated with the help of an audit. If such a task is assigned to the auditors, such a task cannot be fulfilled.

In terms of audit tasks in our country, it is approaching the nature of audit in international experience, but it is still too early to talk about the development of Uzbek terms for audit, the full compatibility of these terms. However, it is possible that there are conflicting mechanisms and provisions in the law in several cases. It is known that Article 16 of the Law "On Auditing Activities" prohibits audit organizations and auditors from auditing the reliability of the financial report for the period when they provided the relevant (related) professional services

provided for in Article 17 of this Law to this economic entity. In particular, it prohibits the audit organization that has provided consulting services on accounting, taxation, calculations and declarations on taxes and other mandatory payments to approve the financial statements at the end of the year. This makes it difficult for business entities to get quick advice on questions that arise during accounting and calculation of the tax base. As a result, accountants have to correct the mistakes made within a limited period of time after the report is prepared. Businesses are forced to contract two auditing firms separately for consulting and for auditing financial statements. However, this may not solve the problem, as consultants and auditors may approach the issue differently.

This limitation is not provided for in developed countries and international auditing standards. Abolition of such restrictions will expand the scope of service of audit organizations and lead to further improvement of its quality. Usually, audit theory is limited to the following three types of audit:

1. Operational audit (operational audit). It is an examination of any part of the activities and methods of the economic system in order to evaluate the production and efficiency, and to make an assessment based on its results.
2. Compliance audit (compliance audit). Its purpose is to testify whether or not the special measures and rules set by the administration for employees are being followed in the economic system, as well as the current regulatory documents (taxation and other) are being followed.
3. Accounting audit. This is a new type of audit for our country, because earlier this type of audit was performed by office specialists (internal auditors). An accounting audit can be conducted independently of the audited economic entity (even if they hire and pay). Auditor's independence means that no one can influence his opinion.

It is necessary to emphasize the following:

1. Each of the above-mentioned types of audit in any economic entity: a) within the framework of both internal and external (independent) audit; b) can be carried out as a mandatory or initiative inspection.
2. the audit of the completed accounting report often consists of an audit of compliance with the applicable tax laws.
3. This list does not include the audit required for environmental or any non-economic audit of the report.

Operational audit and proportionality audit (two of the three listed types of audit) have always existed in Uzbekistan and during the former union, although they are not called audits due to objective necessity. In particular, it is possible to mention the scientific research works of a very large volume and various topics performed by highly qualified economists and accountants. These works were mainly carried out in the relevant scientific research institutes in the scientific research sectors of higher educational institutions. However, the most important type of audit in real audit organizations is the audit of accounting reports. This study mainly deals with different aspects of this audit.

An audit of financial statements helps determine whether the consolidated financial statements (audited information that can be qualitatively evaluated) meet certain criteria. Generally

applicable laws and various accounting reporting guidelines are such criteria. For example, in the United States, it is common to audit financial statements based on US GAAP, as well as cash flow information or some other basis specific to the accounting system of the business being audited.

Almost all types of audit (the most important - the audit of accounting reports) are based on the need to reduce information risk. The accounting report of economic entities is necessary for its users for various purposes. Therefore, it is better to have a single auditor perform the audit and draw a conclusion that users who want to reduce information risk can trust, rather than having each of the users of the report perform their own audit.

There may also be situations where some of the users of the financial statements believe that a general audit provides sufficient information for their purposes and does not reduce the information risk to an acceptable level. For example, a general audit of a company's accounting statements may provide sufficient financial information for a commercial bank to decide whether to lend to that company.

An audit carried out on each of the three types of audit listed above requires a final document. This is the auditor's conclusion. The auditor's opinion can be presented not only on the results of the audit, but also on the results of some additional audit services (types of activities). In this way, the service provided by the auditor is divided into attested (requiring the submission of an auditor's report, which is primarily the audit itself) and non-attested (does not require the submission of an auditor's report). In addition to the three types of audit, the certified services of the auditor (auditing organizations) include:

a) control of correctness (examination), in which the scope of the examination is less than in the audit. Control of the correctness of various aspects of financial activity is based on the analysis of the effectiveness of the internal control of the economic entity being audited. It is rarely based on the presentation of an auditor's opinion on the projected prospects of the client's business (based on detailed business plans and other forward-looking views of management).

b) Review (revtew). In relation to the audit, as well as the verification of accuracy, the inspection in the form of an image is carried out according to a shortened program. For example, during the audit of the client's business, it is used to check the quarterly accounting report of open joint-stock companies and other economic entities, while there is also a need to check the annual accounting report in the form of an overview;

v) agreement of the event with the client (accredited-upon procedures). According to the client's order, the auditor can check some sections of the client's accounting work. For example, taking the balance in the cash register, verifying cash transactions or the authenticity of receivables, confirming the value of the assets and liabilities of the economic entity, the company's departments ("Company value"), etc.

On the other hand, services in which the auditor's official report is not sent directly to the client's name are non-attested services (they do not require the submission of an auditor's report). Among them are the following:

a) restoration and maintenance of accounting; preparation of accounting report (compilation services), report on securities, emission prospectuses, etc.;

b) tax planning and taxation, preparation of income declaration and protection of client's interests in tax authorities:

v) Consulting services. Providing consulting services in the selection of candidates for computer systems, production technology and management positions, except in the field of accounting and taxes. According to international experience, all auditors can be divided into the following large groups, these groups can be called types of auditors:

1. External or independent auditors (independent auditors). They often perform audits of accounting statements. They can be called:

a) consulting accountants (S.A. Great Britain) or certified public accountants (SRA. USA), accountant-experts or accounting commissioners (France), economic controllers (Germany), etc.; When performing the task of testifying, they are usually called auditors and work without establishing a legal entity and provide special professional services to their clients (business systems);

b) auditing firms (CA firms), UK or certified public accounting firms (CPA firms, USA) and others: when performing the task of testifying, they are called "Auditor", they work on the basis of a contract. They also present their conclusions primarily to clients, investors, creditors and third parties in general; when the examined economic system reaches its goal, they evaluate the final results of its activity (development);

c) auditors of state institutions. (legistile golvernement auditors). They report to the legislature and state bodies about the inspections of state organizations and other structures. In this case, programs and structures are checked according to certain aspects of the audit: the reliability of financial statements, the timely payment of budget and non-budget payments, the adequacy and effectiveness of internal control, and in developed countries, the tax police are also among the auditors of state institutions.

2. Internal auditors (internat auditors). They are the servants of economic systems, and they check the conditions within this system. But they work as part of the administration, that is, they are independent of the conditions and the type of activity they inspect. A comparison of the studied auditors, audit services and types of auditors shows that mixing their types cannot be considered that any auditors can perform any service in the field of market economy infrastructure. It is necessary to emphasize that specific tasks can be performed in this field by the auditor experts who are considered the most suitable for this work, without stopping at the problems related to the experience and knowledge of individual auditors.

All types of audits require the services of a fully qualified auditor. At the same time, in an operational audit (which can be very diverse), it will be difficult for even a highly qualified auditor to determine the effectiveness and efficiency criteria. It is currently a great challenge for auditors to carry out the evaluation of economic system development paths on the basis of unexpected statistics related to variable standards and indicators.

It is known that there are also difficulties in the audit of the accounting report or in the one-by-one examination of the subjects (for example, in the framework of the audit of proportionality to the Tax Laws). However, these difficulties are overcome by the thorough performance of the auditor's duties.

The client's requirements for Audit Additional Services will be more diverse. For example: a customer orders a surprise inspection of a commercial buffet located at his car service station. In this case, he is not interested in whether there are auditor certificates, but whether the auditors have the skills of immediate inventory of goods and money. To prepare the accounting report or tax calculations of a private enterprise owned by an individual entrepreneur, the owner of the enterprise can hire the person he wants, for example, an employee who can guarantee the fulfillment of the task.

Thus, the analysis of the interaction between the auditor and the client allows us to compare the audit activity with the following tariff given by Ya.V.Sokolov, V.V.Skobara and V.A.Terekhov: "The audit activity is:

- independent verification of the accounting report of the audit objects and compliance with the current laws of the financial and economic operations carried out in the agreement concluded between the audit organization and the audit initiator;

- is the business activity of expressing the opinion of the auditor regarding the reliability of the information describing the audit object in a voluntary audit and providing other audit services".

In any equal conditions, it is recognized that the effectiveness of audit and inspection directly depends on the degree of independence of the auditor (inspector) from the administration of the audited economic entity. However, it is clear and obvious that external and internal audit of economic systems are related to each other. In various large economic systems of our republic, as a rule, modern traditional audit and control is mainly the field of activity of internal auditors. Although independent auditors perform similar activities in many cases, they are intended to perform a completely different task - not only for the administration, but also for third parties.

There are many similarities between the work of external (independent) and internal auditors, but we have identified important differences (see appendix). Currently, the concept of internal audit in Uzbekistan does not differ much from the well-known office audit. But in international practice, internal auditors perform a much wider range of work and report directly to top management. They usually deal directly with the Board of Auditors, Board of Directors and other management bodies.

The range of internal control and audit subjects of joint-stock enterprises and enterprises with foreign capital, both in Uzbekistan and abroad, is related to the characteristics of their organization and activity. In addition to the above-mentioned bodies, such enterprises may have audit commissions in accordance with the procedure provided for in the founding documents. The need for internal audit, in our opinion, depends on several reasons:

- A) the complexity of the organizational structure of the enterprise (the presence of small enterprises belonging to it, etc.):

- V) location of subsidiaries, branches far from the main enterprise;

- G) striving to obtain a sufficiently objective and independent assessment of the actions of managers at all levels of the administration of the economic entity;

- D) the need for the level of trust of practical partners in the enterprise, etc.

Internal auditors evaluate the management activities of organizations, firms, companies, etc. as independent experts. They present the results of analysis, assessment, information about the activity of the organization they check, their recommendations and advice to the parent company that is carrying out the management. The tasks of internal auditors are changed depending on the level of complexity of this or that economic system. Sometimes a team of internal auditors (inspectors) consists of one or two people, and they spend most of their time performing a simple proportionality audit. In other cases, such a group will have many employees who perform various tasks, including tasks that are not in the accounting field (for example, in the field of environmental auditing).

However, other users of accounting reports ("Third parties" - both legal entities and individuals) may not be satisfied with the information verified and developed by internal auditors on this basis, because these auditors are not independent. This independence is the main difference between internal auditors and external auditors. In other cases, the specialization of auditors depends on the branch of business in which the auditor has sufficient knowledge and experience. The auditor's specialization may also depend on other factors, for example, the organizational and legal forms implemented by the auditors.

Among the types of services provided by auditors and audit organizations in international practice, audit is first of all distinguished. Therefore, in our opinion, the study of audit types should not be confused with the study of other types of audit services.

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