

## AUDIT EVIDENCE AND IMPORTANT ASPECTS OF THE CERTIFICATION PROCESS

<https://doi.org/10.5281/zenodo.7512809>



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**Abstract:** There is presented in the article the findings, suggestions and recommendations for obtaining audit evidence, the quality of the organization's data and the financial condition of the audited entity, as well as their documentation based on international standards

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

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**Received:** 05-01-2023

**Accepted:** 07-01-2023

**Published:** 22-01-2023

### INTRODUCTION

Currently, much attention is paid in our republic to the improvement of auditing activities. In particular, another important step in improving auditing activities in our country was the adoption of the Decree of the President of the Republic of Uzbekistan No. PP-3946 dated September 19, 2018 "On measures for the further development of auditing activities in the Republic of Uzbekistan". The creation of a favorable investment climate in our country largely depends on the quality organization of audits. When ensuring the quality of audits and the reliability of audit reports, much attention is paid to the sufficiency and adequacy of the evidence collected during audits. Therefore, in practice, auditors place great emphasis on the process of collecting evidence. Requires auditors to document the collected evidence in a timely, complete and accurate manner. In the practice of auditing, issues related to the structure, quantity and form of working documents have always been relevant, since external quality control of services provided by audit entities is aimed at completeness and sufficiency of disclosure of information in these documents. At the same time, the application of international auditing standards in terms of regulatory regulation and implementation has facilitated the documentation process and made it more transparent in internal and external quality control.

International Auditing standards clearly and in detail disclose the features of data collection and reflection of audit documentation in various situations, correlating it with the points of other standards, which is their obvious advantage.

### ANALYSIS OF THE LITERATURE ON THE TOPIC

In the Republic of Uzbekistan, in the conditions of modernization of the economy, the issue of conducting an external audit of the financial statements of joint-stock companies is relevant. Therefore, there is a need to formalize the results of the work of the external audit service in our country and compile it in accordance with international standards.

Bringing audits into compliance with international standards, improving the quality of audit reports and conclusions directly depends on audit evidence. The adequacy of audit evidence and compliance with requirements ensures an increase in the quality of control.

In modern literature, there are various approaches to the concept of "audit evidence".

The first approach - S.M.Bychkova believes that audit evidence is considered as "facts" and "processes". Evidence means that it can serve to confirm or refute the existence of another fact, or the process of obtaining information about a specific fact that allows forming an audit opinion on the reliability of financial statements.<sup>22</sup>

The second approach is that audit evidence is a source of information. According to V.B. Ivashkevich, "the evidence in the audit is the documented sources of data obtained as a result of the audit of the reliability of the accounting statements of the organization"<sup>23</sup>.

The third approach is J. Robertson gives the following definition: "audit evidence is information that determines the actions of the auditor, influencing the opinion of auditors and determining their decisions"<sup>24</sup>.

In the International Auditing Standard 500 "Audit Evidence", audit evidence is defined as follows: "audit evidence is information used by the auditor in forming conclusions on which the audit opinion is based. Audit evidence includes both the information contained in the accounting data on which the financial statements are based and other information"<sup>25</sup>.

According to the economist I. Kuziev, "audit evidence is accounting data, balances of analytical accounts, primary documents and consolidated registers, information collected by the audit organization during the audit and substantiating the audit opinion"<sup>26</sup>.

S.M.Bychkova and E.Y.Itygilova expressed the following opinion: "It is important that the audit evidence is sufficient and appropriate. Because the degree of accumulation of these indicators also affects the audit plan and the number of

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<sup>22</sup> Bychkova S.M., Proofs in audit/ S.M. Bychkova – M.: Finance and statistics, 1999. -176p.

<sup>23</sup> Ivashkevich, V.B. The final stage of the audit / V.B. Ivashkevich // Audit statements – 2007. – No.11. – pp. 3-7

<sup>24</sup> Robertson, J. Audit / J. Robertson. – M.: KPMG, Audit firm "Contact", 1993. – 496 p.

<sup>25</sup> International Auditing Standard 500 "Audit evidence"

<sup>26</sup> Kuziev I.N. Preparation of audit reports and their generalization: issues of theory and methodology. Monograph. –T.: "ECONOMICS-FINANCE", 2015. – 58 p.

audits. Because the sufficiency of audit evidence directly depends on what the audit opinion should be<sup>27</sup>.

Thus, in our opinion, audit facts are information about the organization of accounting, primary accounting and generalizing information that are the basis for the expression of an audit opinion, information and account balances that are the basis for the preparation of accounting statements, business plan information, information from external information sources and information not related to accounting.

### **ANALYSIS AND RESULTS**

Audit evidence is described in detail in international standards. As an object of standardization in the International Standards of Auditing - ANS (International Standards of Auditing - ISAS), a special section B is allocated - "500-599 Audit evidence". This section includes 9 standards.

In the Republic of Uzbekistan, 6 standards have been developed out of the national auditing standards adopted so far.

When obtaining audit evidence, primary documents and accounting records are used, which are the basis of financial statements, as well as supporting information obtained from other sources. Audit evidence should be sufficient and adequate.

We believe that the audit organization in the process of collecting audit evidence should focus on the following factors:

- assessment of the accounting process, financial statements of the joint-stock company and the nature of the internal audit and internal control system created in the company, as well as the independence of internal audit and risk assessment of control;
- the volume of audit activity and audit work performed by the audit organization;
- the source of information of audit evidence collected by auditors and proof of their reliability.

In accordance with the rule set out in paragraph 4 of the National Auditing Standard called "Audit Evidence": primary documents and accounting records that are the basis for financial statements, as well as other supporting information obtained from other sources, are used to obtain audit evidence.

Audit actions are actions that an audit organization performs in order to obtain audit evidence to determine the presence or absence of errors-defects in the financial statements.

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<sup>27</sup> Bychkova S.M., Itygilova E.Yu. International standards of auditing. Moscow: TC Velbi, Publishing House Prospect, 2008. 432p. P.202

We believe that when performing audit activities in joint-stock companies, special attention should be paid to the following issues:

- control of the availability of liabilities and assets at the end of the reporting period in the audited financial statements;
- consideration of the completeness of the reflection of assets, liabilities, business transactions and events in the financial statements of the joint-stock company on the basis of international financial reporting standards;
- reflection of assets and equity, liabilities in the corresponding values in the financial condition of the joint-stock company;
- organization of control over the reflection in the form of financial statements of business transactions carried out by the joint-stock company during the reporting period, and accurate reflection of the amounts of business transactions and events in the financial statements;
- in accordance with International Financial Reporting Standards, the reflection of income and expenses for the relevant periods.

Sufficiency of audit evidence is a quantitative measure (threshold) of audit evidence required by an audit organization to express an opinion.

The adequacy of audit evidence is a qualitative measure of audit evidence, which means the significance and reliability of audit evidence when expressing an opinion by an audit organization. Audit evidence is considered reliable if it is supported by documents and the actual condition of assets, equity and liabilities.

In the International Standard on Auditing 230 "Audit Documentation", audit documentation is defined as follows: audit documentation is written records of audit procedures performed, relevant audit evidence obtained and conclusions reached by the auditor (in some cases, terms such as "audit documents" may also be used)<sup>28</sup>.

1. The working documentation is used in the following cases:

- when planning and conducting an audit directly;
- in the process of ongoing monitoring of the work performed;
- when fixing facts confirming the auditor's opinion.

Working documents on a specific audit assignment can be combined into an "audit file".

An audit file is "a medium of information in electronic or other form consisting of one or more folders with written data containing data representing audit documentation related to a specific task."

The requirements for the working documentation should be expressed in a sufficiently complete and detailed form to ensure a complete understanding of the audit.

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<sup>7</sup> International Auditing Standard ISA 230 "Audit Documentation" item 6.

At the same time, the working documentation solves issues related to:

- maintaining documentation on issues of continuing importance for future audits;
- assistance in effective audit planning;
- ensuring accountability of audit team members;
- creation of the possibility of internal and external quality control of auditors' work<sup>29</sup>.

The requirements for the working documentation on the automated control system are systematized and reflected in Figure 1.

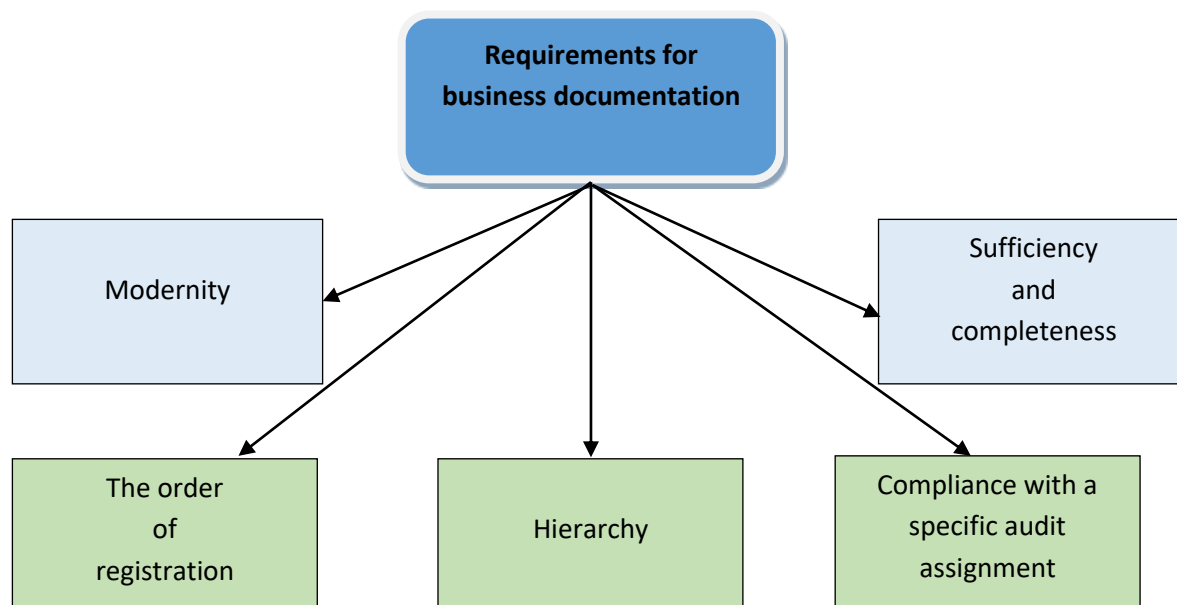


Figure 1. Requirements for working documentation in accordance with the International Auditing standard

The International Standard on Auditing defines the need to document:

- the main characteristics of the articles and issues under consideration;
- important issues studied during the audit and conclusions made by the auditor;
- deviation from the principles of standards adopted during the audit;
- information about the persons who form and verify the audit documentation.

In addition, paragraph 3 of the International Standard on Auditing ISA 230 states that the auditor may, as part of the audit documentation, provide extracts or copies of records of an economic entity (for example, significant and specific

<sup>29</sup> International Auditing Standard ISA 230 "Audit Documentation" paragraphs 2-3.

contracts and agreements). In this case, the working documentation does not replace the accounting of an economic entity.

For example, it makes no sense to include copies of primary documents in working documents that do not contain errors. In order to improve the efficiency of preparation and verification of business documentation, it is recommended to develop standard forms of documents in an audit organization (for example, working documentation is a standard structure of an audit file (folder), forms, questionnaires, samples of letters and appeals, etc. to).

It should be noted that unified forms of working documentation are not provided in foreign countries, and therefore the list of documents of each audit company is determined independently, but at the same time, compliance with international standards makes it possible to unify the approach to auditing, respectively, the approach to the composition and structure of working documentation.

Having considered in more detail the procedure for forming the audit file of the ISA, it is necessary to note a number of advantages. In particular, many standards consist of a separate item "audit documentation", which describes in detail which working documents the auditor needs to form on a specific issue. The systematization of working documentation on the main stages of inspections considered in international standards is reflected in table 1.

**Table 1**

Basic information contained in the audit file (in accordance with the ISA)

Pre-contractual stage and audit planning stage	The stage of collecting audit evidence
1. Letter of Agreement on the Audit Agreement (ISA 210)	1. Material misstatements, general audit procedures in response to assessed risks, as well as the nature, timing and scope of additional audit procedures performed (ISA 330)
2. Problems identified in connection with compliance with relevant ethical requirements, and ways to solve them. Conclusions on the issue of compliance with independence for a specific audit assignment. Conclusions on the issue of acceptance and continuation with clients. The nature and scope of the consultations received during the audit, as well as the conclusions drawn on their basis	2. Changes to the audit strategy, plan and program (ISA 300)
3. Audit strategy, audit plan, audit programs (ISA 300)	3. Conclusions made by the auditor on the most important audit issues, including information about errors and unusual situations and information about actions

	taken by the auditor in this regard (ISA 540, 550, 600, 610, etc.)
4. Key elements of understanding each of the aspects of the organization and its environment and each of the elements of its internal control system. Risk assessment procedures, identified and assessed risks of material misstatement (ISA 315)	-
5. Calculation of the materiality level and its distribution (ISA 320)	-

It should be noted that the main stages of the audit are conditionally distinguished, for example, the planning of audit processes in accordance with the standards is carried out throughout the audit.

Foreign scientists recommend audit companies and auditors to compile current and permanent audit files.

A permanent file generated by the auditor is necessary to store updated or original information related to the current audit. This file contains almost unchanged information and is an up-to-date source of information that does not lose its relevance for a long time.

The following working documents can be included in a regular file:

- documents characterizing the legality of the activity of an economic entity (certificate of state registration, charter and amendments thereto, licenses for the right to engage in certain types of activities, etc.);
- information about the business entity (history of financial and economic activity, general structure, sources of initial capital, etc.);
- information about the process of organizing accounting and internal control (general information about the provisions of accounting policy, automation of accounting and analysis, chart of accounts, information about the organization of the internal control system);
- audit reports for the previous period.

Changes that may be made to the audit documentation at the final stage may be of an exclusively administrative nature, for example, deletion or withdrawal of outdated documentation, sorting, ordering and placement of references in the auditor's working documents, etc. (paragraph A22 of ISA 230). The auditor collects the working documentation into a single file. The creation of the final file is determined after the date of completion of the administrative process. The deadline for the final formation of the audit document is 60 days after the date of the auditor's report (paragraph A54 of the MSKK1). It is prohibited to delete any documentation from it after the audit file is fully formed and before the expiration of its storage period.

## CONCLUSIONS AND SUGGESTIONS

Summing up, we can say that the work carried out in the republic to improve auditing activities will help to increase the confidence of foreign investors in the economy of our country and provide users of information with reliable information.

The following suggestions can be made on the quality and documentary evidence collected by audit organizations during audits in the republic:

1. The collected evidence should serve as a sufficient basis for the expression of an audit opinion. Of course, along with collecting this evidence, it is necessary to carry out their analytical processing, analyze and draw appropriate conclusions. Therefore, it is necessary to use modern methods and techniques of economic analysis when conducting audits and providing other types of audit services.

2. Identification of errors made as a result of illegal actions of interested parties when collecting audit evidence.

3. Determination of the retention period of documents after the date of the audit report, when the retention period of documents in a particular case of audit agreements is usually later than the date of the audit report.

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8. International Quality Control Standard (ISQC)1 "Quality control in audit organizations conducting audits and reviews of financial statements, as well as performing other tasks that provide confidence, and tasks for the provision of related services.



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