

BANK INTERNAL SYSTEM AND AUDIT

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Abstract:

This article describes and highlights the organization and specific aspects of the internal audit of commercial banks based on the requirements of international auditing standards, including the features of the application of international standards in bank internal audit, the specific aspects of the process of auditing the financial statements of commercial banks, the organization of internal audit, and the specific aspects of conducting an audit.

Keywords: AXS, risk, internal audit service, plan, internal audit program, audit result, internal audit report, internal audit recommendations.

Introduction

As a result of international integration practices, in the process of forming consolidated financial statements of the banking system of foreign countries, the role of the internal audit service and the impact of its practice on them and the scope of the calculation of audit risk calculation methodology, it is important to find a solution to the issue of drawing up financial statements in accordance with international requirements and planning them by internal audit. The use of advanced foreign experiences in identifying and assessing internal audit risks in the banking system, minimizing risks on this basis, and using international audit standards in risk assessment in the banking system of Uzbekistan will create the opportunity to effectively organize internal audit of commercial banks.

International Standards of Auditing – AXS (International Standards of Auditing ISAs) International Federation of Accountants IFAC (International Federation of Accountants) It is developed by the International Auditing Practice Committee (IAPC) within the International Federation of Accountants (IFAC). IFAC was founded on October 7, 1977. This Federation includes national public accounting organizations from more than 100 countries around the world, including Uzbekistan.

According to International Standards on Auditing, the basic principles of auditing are: honesty, fairness, independence, confidentiality, and competence. Each standardized object is assigned 100 numbers (positions). Since there are 11 standardization objects, a total of 1,100 standards can be developed. Since there is no need for such a large number of standards in practice, most of them are not used. For example, the standardization object called "Planning" (300-399) consists of three standards: 300-"Planning", 310-"Business Knowledge", 320-"Significance in Audit". Thus, 7 more standards can be adopted on planning issues. In addition, up to 10 substandards can be opened for each standard. Based on the sources known to us, we present the International Standards on Auditing and their summary in the following table.

These standards are important in improving the quality and standing of auditing activities internationally. These standards and norms are developed in several areas:

- a) international auditing standards;
- b) international rules of practice for management accounting;
- c) international standards for the public sector.

In the process of economic liberalization, an important issue is the proper organization of internal audit services in commercial banks and the creation of opportunities for them to determine the competitiveness of the bank. The reforms being carried out in the commercial banking system of the Republic of Uzbekistan, in particular the introduction of international auditing standards into banking practice, will further increase the transparency of their activities and financial statements and create the opportunity to cooperate with foreign partners on equal terms, and as a result, the transparency of commercial banks and the preparation of indicators in a generally usable form will be created. In the context of economic liberalization, the banking system of the Republic of Uzbekistan, including the quality of service, will be implemented in accordance with international requirements, and the implementation of international standards in financial institutions will create opportunities for further development of the banking and financial system. "As a result of far-reaching reforms in the financial and banking system of the Republic of Uzbekistan , financial stability has been achieved.

In this regard, statistical data show that as part of measures to prevent the negative impact of external factors on the stability of the financial and banking

system of the Republic of Uzbekistan, great attention is paid to the adequacy of the capital of commercial banks. The financial and banking system of our country operates stably and reliably, achieving high indicators. In 2012, the total capital of the banking system increased by 24.3 percent, and in the last three years it has doubled”¹. However, even after this, great attention is paid to the development of the banking system in the Republic of Uzbekistan. In this regard, we can see that such development of the banking system has increased due to the implementation of internal audit and international auditing standards in practice, as a result of which the transparency of indicators in the banking sector has increased.

In commercial banks, when conducting internal audit and analyzing its results, it is necessary to provide appropriate audit reports. In this case, errors and shortcomings and their consequences on the bank's activities are studied. In addition, for the purpose of internal audit, the issue of processing data by the internal auditor using a computer program is important. When an internal audit is carried out, it has a number of advantages. The most important of these are the following:

- The time it takes to check is drastically reduced.
- the reliability of the processed data increases.
- the quality of documents obtained as a result of data processing will be high.
- it becomes easier for the auditor to work with the data.

As a result, the attention of specialists participating in the audit is focused on more important tasks, creating conditions for a more complete analysis of financial statements, providing management with more detailed information about the bank's accounting and internal control system. Since the information obtained using CATs is distinguished by its speed, completeness and versatility, it allows the auditor to express a more accurate opinion on this or that economic phenomenon and evaluate it. Therefore, the auditor should be able to correctly determine the place of computers in his activities and try to study it thoroughly. Audit risks in the conduct of audits carried out by internal bank audit on the basis of international auditing standards were assessed in the following manner.

Nowadays, in many cases, the functions of internal auditors go beyond the scope of auditing even the accounting reports of their own company's structural divisions. Internal auditors are increasingly involved in the economic policy and management of the enterprise. Internal auditors are highly qualified specialists

and, by virtue of their status, have extensive powers. Their responsibilities include:

operational audit – various structural divisions of the enterprise on management issues

activities such as consulting to departments (for example, evaluating marketing efforts, evaluating the structural structure of the enterprise, etc.); compliance

audit – the activities of the divisions of this enterprise, its administration

and, if necessary, verifying compliance with the rules established by higher authorities or specified in legal documents. For example, checking and evaluating concluded contracts in terms of legal requirements, reducing risks, etc.

Commercial banks should apply international auditing standards when conducting internal audits and perform appropriate organizational work to implement them, and perform audit procedures based on international auditing standards when forming financial statements, and in our opinion, the following should be emphasized:

- 1) planning internal audits based on the methodology for conducting internal audits of banks as a result of the introduction of international audit standards into the internal audit system, and making proposals for risk assessment based on the audit methodology;
- 2) by introducing international audit standards into the bank's internal audit practice, developing its methods and techniques, and a methodology for controlling the chart of accounts, account registers, and document circulation in the bank's accounting system based on the appropriate software in the computer system;
- 3) developing internal audit methodology based on international audit standards and planning the activities of internal audit staff, distributing duties between auditors and auditor assistants, developing an internal audit plan and program, and determining the rights and obligations of the chief auditor.
- 4) determining methods of internal audit control of the accounting system adopted in banks, and performing analytical procedures on the bank's activities.

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