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## THE EVIDENCE OF AUDITING AND IMPORTANT ASPECTS OF THE DOCUMENTATION PROCESS

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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.

### INTRODUCTION

Currently, our republic pays great attention to improving auditing activities. In particular, the next important step in improving audit activities in our country was the adoption of Resolution of the President of the Republic of Uzbekistan No. 3946 dated September 19, 2018 "On measures for the further development of audit activities in the Republic

of Uzbekistan". Creating 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, great attention is paid to the sufficiency and adequacy of the collected evidence collected during audits. Therefore, in practice, auditors place great emphasis on the

process of collecting evidence. Requires auditors to document evidence collected 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 verification of the quality of services provided by auditing entities is aimed at the completeness and sufficiency of disclosure of information in these documents. At the same time, the application of international auditing standards from the point of view of legal 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 reveal the features of collecting data and reflecting audit documentation in various situations, correlating it with the clauses of other standards, which is their obvious advantage.

### ANALYSIS OF LITERATURE ON THE TOPIC

In the Republic of Uzbekistan, in the context of economic modernization, 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 and improving the quality of audit reports and conclusions directly depends on audit evidence. Adequacy of audit evidence and compliance with requirements improves the quality of control.

In modern literature, there are different 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 the auditor to formulate an opinion on the reliability of the financial statements<sup>1</sup>.

The second approach is that audit evidence represents sources of information. According to V.B. Ivashkevich, “evidence in an audit consists of documented sources of data obtained as a result of an audit of the reliability of the organization’s financial statements”<sup>2</sup>.

The third approach - J. Robertson gives the following definition: “audit evidence is information that determines the actions of the auditor, influences the opinion of auditors and determines their decisions”<sup>3</sup>.

International Standard on Auditing 500 “Audit Evidence” defines audit evidence as follows: “audit evidence is information used by the auditor in forming conclusions on which the audit opinion is based. Audit

evidence includes both information contained in the accounting records on which the financial statements are based and other information»<sup>4</sup>.

According to the scientist-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 report»<sup>5</sup>.

S.M. Bychkova and E.Yu. 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 audits. Because the sufficiency of audit evidence directly depends on what the audit report should be»<sup>6</sup>.

Thus, in our opinion, audit facts are information about the organization of accounting, primary accounting and generalizing information that is the basis for expressing the auditor’s opinion. Information and account balances that are the basis for drawing up financial statements, information from a business plan, information from external information sources and information not related to accounting.

### ANALYSIS AND RESULTS

Audit evidence is discussed in detail in international standards. As an object of standardization in the

international auditing standards (International Standards of Auditing - ISAS), a special section B - “500-599 Audit evidence” is allocated. This section includes 9 standards.

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

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

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

- assessment of the accounting process, financial reporting 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 assessment of control risk;
- the volume of audit activities and audit work performed by the audit organization;
- the source of information about audit evidence collected by auditors and evidence of its reliability.

In accordance with the rule set out in paragraph 4 of the National Auditing Standard entitled “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 activities are the activities that the auditing organization performs to obtain audit evidence to determine the presence or absence of errors or defects in the financial statements.

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

- control of the presence of liabilities and assets at the end of the reporting period in the audited financial statements;
- consideration of the completeness of 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 capital, liabilities in appropriate values in the financial condition of the joint-stock company;
- organizing control over the reflection in the form of financial statements of business transactions performed 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, reflection of income and expenses for the relevant periods.

The sufficiency of audit evidence is the quantitative measure (threshold) of audit evidence required by the audit firm 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 in expressing an opinion by the audit organization. Audit evidence is considered reliable if it is supported by documents and the actual state of assets, equity and liabilities.

International Standard on Auditing 230, Audit Documentation, defines audit documentation as follows: Audit documentation is the written record of the audit procedures performed, relevant audit evidence obtained, and conclusions reached by the auditor .

1. Working documentation is used in the following cases:

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

Working papers for a specific audit engagement may be compiled into an “audit file”.

An audit file is “a storage medium, electronic or otherwise, consisting of one or more written data folders containing data constituting audit documentation relevant to a specific engagement».

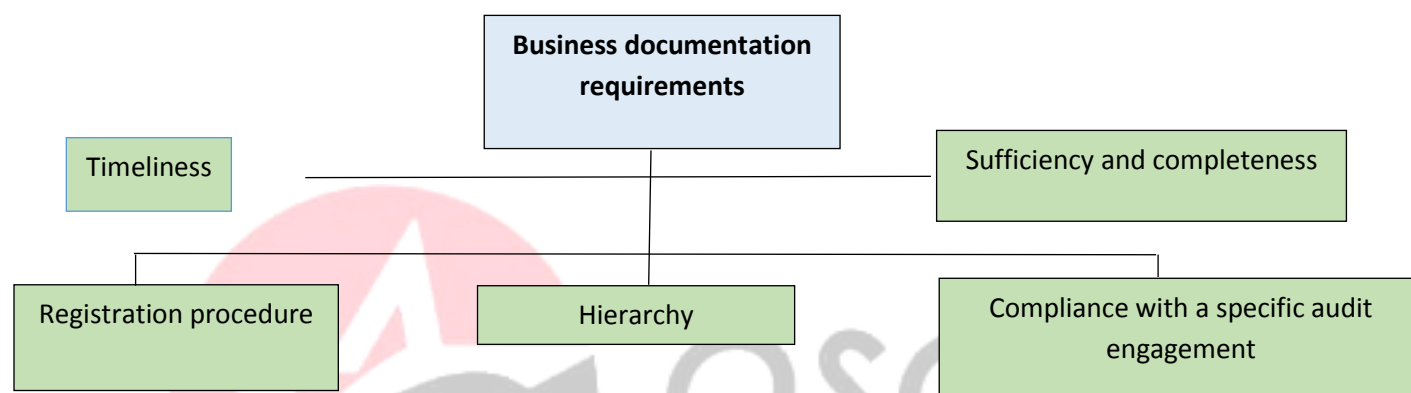
The workpaper requirements should be expressed in sufficiently complete and detailed form to ensure a complete understanding of the audit.

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

- maintaining documentation of matters of continuing significance for future audits;

- assistance in effective audit planning;
- ensuring the accountability of audit team members;
- creating the possibility of conducting internal and external quality control of auditors' work.

The requirements for working documentation for automated control systems are systematized and reflected in Figure 1.



**Picture 1. Requirements for working documentation in accordance with the international auditing standard**

The International Standard on Auditing specifies the need to document:

- main characteristics of the articles and issues under consideration;
- significant matters examined during the audit and conclusions reached by the auditor;
- deviation from the principles of the standards adopted during the audit;
- information about the persons preparing and checking audit documentation.

In addition, paragraph 3 of the International Standard on Auditing ISA 230 states that the auditor may provide

extracts or copies of records of a business entity (for example, significant and specific contracts and agreements) as part of the audit documentation. In this case, working documentation does not replace the accounting records of a business entity. For example, there is no point in including in working papers copies of source documents that do not contain errors. In order to increase the efficiency of preparation and verification of business documentation, it is recommended that the audit organization develop standard forms of documents (for example, working documentation is a standard structure of an audit file



(folder), forms, questionnaires, sample letters and appeals, etc.).

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 conducting an audit, and, accordingly, the approach to the composition and structure of working documentation.

Having examined in more detail the procedure for generating an ISA audit file, it is necessary to note a number of advantages. In particular, many standards consist of a separate clause “audit documentation”, which describes in detail what working documents the auditor needs to produce on a specific issue. Systematization of working documentation for the main stages of inspections considered in international standards is reflected in Table 1.

Table 1

Key information contained in the audit file (in accordance with ISAs)

Pre-contractual stage and audit planning stage	Audit evidence collection stage
1. Audit Engagement Letter (ISA 210)	1. Material misstatements, general audit procedures in response to assessed risks, and the nature, timing and extent of additional audit procedures performed (ISA 330)
2. Problems identified in connection with compliance with relevant ethical requirements and ways to solve them. Findings on independence issues for a specific audit engagement. Conclusions regarding acceptance and continuation with clients. The nature and extent of advice received during the audit, as well as the conclusions drawn on its basis	2. Changes to the audit strategy, plan and program (ISA 300)
3. Audit strategy, audit plan, audit programs (ISA 300)	3. The auditor's conclusions on the most significant audit matters, including information about errors and unusual situations and information about the actions taken by the auditor in connection with them (ISA 540, 550, 600, 610, etc.)

4. The key elements of understanding each aspect 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 level of materiality and its distribution (ISA 320)	-

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

Foreign scientists recommend audit companies and auditors to compile current and permanent audit files. A permanent file generated by the auditor is required to store updated or original information related to the ongoing audit. This file contains virtually unchanged information and is a current source of information that does not lose its relevance for a long time.

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

- documents characterizing the legality of the activities of an economic entity (certificate of state registration, charter and amendments to it, licenses for the right to engage in certain types of activities, etc.);
- information about the business entity (history of financial and economic activities, general structure, sources of initial capital, etc.);
- information on the process of organizing accounting and internal control (general information on the

provisions of accounting policies, automation of accounting and analysis, chart of accounts, information on the organization of the internal control system);

- auditor's reports for the previous period.

Changes that may be made to the audit documentation at the final stage may be purely administrative in nature, for example, deletion or withdrawal of outdated documentation, sorting, organizing and referencing in the auditor's working papers, etc. (Section A22 of ISA 230). The auditor collects 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 audit report (clause A54 MSKK1). It is prohibited to remove any documentation from it after the audit file has been fully generated and before the expiration of its retention period.

## CONCLUSIONS

To summarize, we can say that the work carried out in the republic to improve auditing activities will help

increase the confidence of foreign investors in the economy of our country and provide information users with reliable information.

Regarding the quality and documentation of evidence collected by audit organizations during audits in the republic, the following proposals can be made:

1. The collected evidence must serve as a sufficient basis for expressing the audit opinion. Of course, along with collecting this evidence, it is necessary to conduct analytical processing, analyze it 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 unlawful actions of stakeholders when collecting audit evidence.

3. Determining the retention period for documents after the date of the auditor's report, when the retention period for documents in a particular case of audit engagements is usually later than the date of the auditor's report.

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