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Development of Private Capital Financial Statement Audit Methodology in Accordance with International Standards

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Abstract: The article discusses the development of methodology for audit of financial statements of private capital in accordance with international accordance with international criteria and standards.

Keywords: private capital, audit, development, accounting, significance.

The scope of users from the audit report has expanded the establishment of joint ventures, the introduction of foreign investment in the real sector of the economy, the introduction of modern corporate governance methods require the organization of the audit system at the level of international standards. Therefore

As President of the Republic of Uzbekistan Sh.M. Mirziyoyev noted, “It is necessary to further enhance the role of auditing in protecting the interests of entrepreneurs” [1]. Further enhancing the status of such activities, primarily regulating auditing activities depends on the development of the regulatory system in accordance with international norms and standards. Consequently, “... first of all, a single economic model is still being developed to address the problems that have caused the crisis in the global financial and monetary system and to establish the necessary control not published”[2].

In order to withstand the fierce competition in the context of the ongoing global financial and economic crisis, businesses need to have accounting, control and analytical information. This situation is first, contributes to the formation of reliable financial statements, and secondly, makes management decisions, conducts various business operations allows you to manage new relationships with customers and partners while increasing.

By the Decree of the President of the Republic of Uzbekistan [3] “In-depth analysis of international experience and on this basis the introduction of modern corporate governance, increasing the efficiency of production, investment, logistics, financial and labor resources” is one of the main directions of corporate governance marked. Also, based on this decree “On the development strategy of new Uzbekistan for 2022 – 2026”private capital accounting accounts and audit.

Within the framework of theoretical and practical approaches, it is possible to distinguish an effective system of further development of the corporate governance system – internal control. Internal control is an integral part of the corporate governance system, combining “accounting system, control environment and separate controls” [2], which together focus on the formation of reliable financial reporting. In this case, the entity managing the system correctly evaluates the work performed and the established account obtains the necessary information about the actual situation to identify differences in indicators.

The general concept of management of the business entity, the principles of organization of internal control, the gaps between the requirements for accounting, the majority of auditors the situation further complicated by the fact that organizations do not study the reliability of internal controls to achieve audit objectives. This is because a convenient and reliable methodology for evaluating these tools has not been developed explained by

In our country, "... further enhancing the role of audit companies and developing their network, ensuring their stability and efficiency in accordance with international norms and standards, expanding the range and scope of services they provide" is one of the main directions" [3].

In this regard, it is important to bring the system of regulatory regulation of auditing activities in line with international auditing standards, to develop a methodology for evaluating the system of internal control in the process of audits.

The methodology for evaluating an entity's internal control system in "auditing financial statements and related financial information by audit firms" [2] should be based on a set of methods and techniques consisting of internal standards of audit firms.

Internal control plays an important role in the implementation of the anti-crisis program in Uzbekistan, in the decision-making on the financial and economic activities of business entities. As noted by the President of the Republic of Uzbekistan Sh.M. Mirziyoyev, A country and a nation with a growth strategy will ultimately succeed" [3].

In view of the above, the effective system of internal control in the above-mentioned entities is effective in solving the task of sustainable operation of business entities, production of quality products, "increasing the competitiveness of enterprises through the introduction of strict austerity, incentives to reduce production costs and product costs" [5] organization is important. After all, the more effective this system is, the lower the audit risk.

The normative document obliges auditors to evaluate the system of internal control in at least three stages:

1) General acquaintance with the system of internal control;

2) Preliminary assessment of the reliability of the internal control system;

3) Confirmation of the reliability of the assessment of the internal control system. In the same way together, audit firms may decide to apply more steps to the evaluation of the system of internal control in their activities [4].

However, the technological process of evaluating an internal control system involves a number of steps, i.e. highlighted the steps also include intermediate steps that are important. They instructed in other standards of auditing.

Unfortunately, the fact that the recommendations for the evaluation of the internal control system reflected in different standards does not help to form a single methodology for the evaluation of the internal control system for all audit organizations. This necessitates the development of a set of internal standards for audit organizations to evaluate this system. Therefore, based on international auditing standards, 24 technological process steps have been developed to evaluate the internal control system in the research process.

One of the important steps in the process of planning an audit is to evaluate the accounting and internal control systems of the business entities, which regulated by the relevant national standard [3]. As is well known, control is a management functionis one. Therefore, the establishment and implementation of an internal control system is a tool that helps the manager to manage the business entity.

The effective functioning of the internal control system depends, first, on the employees attached to it, who are responsible for carrying out the relevant activities. The system of selection, recruitment, promotion, training and retraining of employees should serve to ensure their high qualification.

Separate items of financial reporting in the economic literature [3] the degree of importance between the distributions of the absolute value an algorithm known as the “oriented test method” dissolved. It implies:

1. Significance level at the most significant share at the end of the balance sheet selection of active and passive accounts for distribution.

2. Significance level Debit and credit of selected accounts distribution between cycles. The level of importance in this is the end of the balance not as a percentage, but as proposed in the relevant standard [2]according to the method, in the balance sheet (balance sheet currency (2%). In addition, private the amount of capital (10%)) and financial results in the report (gross sales volume (2%), total expenses (2%), balance sheet profit (5%)) is determined as a percentage of the reflected indicators.

According to international practice, “The auditor determines the level of materiality based on his or her qualifications. Auditors typically use designations designed to determine materiality. The most common of these are 5 to 10 percent of profits before income (profit) tax is paid; 0.5 to 1.0 percent of total assets; 0.5 to 5.0 percent of the amount of private capital; from 0.5 to 1.0 percent of net profit”[3].

R.D. Dusmuratov suggests using the following seven indicators to calculate the level of importance: “Revenues from the sale of goods (works, services) (5%), cost of goods sold (3%), current expenses (3%), private capital (10%), balance sheet currency (5%), work in progress (3%), retained earnings (2%)”[4]. N.F. Karimov suggests using the following five items in the financial statements of commercial banks: net profit on the balance sheet (3.2%), total income (2.7%), total assets (1.3%), share capital (5.3%). %), total costs (3.0%)” [5].

The current regulations do not provide for the determination of the absolute value of the materiality level. However, it is recognized that “in determining the absolute value of materiality, the auditor should take as a basis the most important indicators that characterize the reliability of the audited entity’s report, hereinafter referred to as key financial statements” [16].

Because of the analysis of international practice, we propose to distribute the level of importance in relation to the share of certain balance sheet items in the balance sheet. To do this, we use the data in Table 1.

Table 1. ***Basic indicators of financial reporting***

Balance sheet assets	**Soum, thousand soums**	**According to international standards**		**According to the proposed norm**	
		share, %	**importance level, thousand soums**	**share, %**	**importance level, thousand soums**
1	**2**	**3**	**4**	**5**	**6**
Gross profit from the sale of goods (works, services) (Figure 2, line 030)	857821	-		2	17156
Until you pay income tax	441503	5-10	44150	5	22075

benefit (Figure 2, line 240)					
Total assets (Figure 1, line 400)	2226600	0.5-1.0	22266	0.5	11133
Authorized capital (Figure 1, line 410)	650910	0.5-5.0	32545	5	32545.5
Net profit (Figure 2, line 270)	368489	0.5-1.0	3684	1	3684

$$\frac{17156+22075+11133+32545+3684}{5}=\frac{86594}{5}=17318;$$

$$\frac{17318-3684}{17318}=78{,}7\%;\ \frac{32545-17318}{17318}=87{,}9\%;$$

We compare the resulting average with the minimum and maximum:

If, the difference exceeds 30%, then we subtract both quantities (3684 and 32545) and these figures are no longer used in the calculation. Based on the remaining indicators, we recalculate:

$$\frac{17156+22075+11133}{3}=\frac{50364}{3}=16788$$

It is possible to increase or decrease the amount produced, but it should not exceed 20%, in accordance with international practice. We reduce this amount:

$$\frac{16788-15000}{16788}=10{,}6\%;\ \text{(Below the norm)}$$

Therefore, we can set the level of importance for 15,000 thousand soums. We distribute the identified significance levels by balance sheet items, relative to their share in the balance sheet, and obtain the results shown in Table 2.

Table 2. Equitable distribution of the significance level indicator across the balance sheet structure

Balance active ingredients	***Soum, thousand soums***	***share, %***	***Significance level, thousand soums***	***Balance active ingredients***	***Soum, thousand soums***	***share, %***	***Significance level, thousand soums***
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**
Basic tools	197202	8.8	1320	Charter capital	650910	29.2	4380
Long-term	828357	37.3	5595	Added	80993	3.8	570

investments				capital			
purveyance	1036312	46.5	6975	Reserve capital	565877	25.4	3810
Accounts receivable	96273	4.3	645	Retained earnings	405034	18.3	2745
Cash flows	68456	3.1	465	Current liabilities	523786	23.3	3495
Total	2226600	100	15000	Total	2226600	100	15000

Source: the author based on financial statements created «Uzdonmahsulot» JSC.

Thus, the auditor considers the level of materiality in the audit process to be appropriate for fixed assets, long-term investments, charter capital and other transactions 1320; 5595; 4380 thousand soums.Moreover, mandatory registration in the general plan of audit must do Indeed, the level of materiality determines the upper limit of error that can be tolerated and missed by the auditor.

In summary, this method has the advantage that it is possible to apply calculations to debit and credit turnovers of accounts selected for distribution, as methods aimed at distributing materiality between accounts balances applied to a report that approved by the auditor.

However, in this methodology, the value of the materiality level for the accounts will look different because of the calculation, and the accounting accounts for a particular process may not be included in the selection for the largest weight criterion at the end of the balance sheet. In particular, the values of the materiality level are also distributed between long-term assets and accounts payable.

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